U.S. Department of State
FY 2000 Country Commercial Guide: Mexico

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CHAPTER I
EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents an overview of Mexico’s commercial environment, using economic, political and market analysis. The CCGs were established by the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reports prepared for U.S. business.

A Broad and Complex Relationship

The relationship of the United States with Mexico is the most important bilateral relationship for both countries. A mixture of mutual interests coupled with shared problems, growing interdependence, and different national perspectives shape it. Historical factors, cultural differences, and economic disparities add further intricacy to the relationship. The scope of U.S.-Mexican relations goes far beyond diplomatic and official contacts, entailing extensive commercial, cultural, and educational ties. Along our 2,000-mile border, state and local governments and citizens' groups interact closely. The two countries cooperate on many issues, including trade, finance, narcotics, immigration, labor, environment, science and technology, and cultural relations.

The Importance of NAFTA

The most outstanding feature of our bilateral relationship in recent years has been the North American Free Trade Agreement (NAFTA) between Mexico, the United States, and Canada. Now in its sixth year, the treaty has been a net boost to all three economies and, in its undeniable role in spurring competitiveness, institutional reform, worker rights, and environmental stewardship, has served as a positive force for change in Mexico in areas beyond trade.

NAFTA includes parallel agreements on the environment and labor rights, and created the North American Development Bank to help finance border infrastructure and environmental projects. NAFTA has partially insulated Mexico from the negative effects of the world financial crisis, and whereas U.S. exports to the Far East fell 19 percent in 1998, U.S. exports to Mexico continued to expand by nearly 12 percent.

In 1998 the United States accounted for 88 per cent of Mexico's exports and provided 74 per cent of Mexico's imports. Both countries' exports to each other set records in 1997 and again in 1998. Growth has continued through the first half of 1999, albeit at a slower pace.

Eighty-five percent of U.S. goods now enter Mexico duty-free. Remaining tariffs on U.S. goods are between 5 and 20 percent ad valorem, with the highest on agricultural products and finished vehicles. For NAFTA exporters, tariffs will be phased out by January, 2009, or earlier, depending on the product.

Mexico is also a natural market because of the tremendous receptivity it extends to U.S. suppliers. Underlying the strong U.S position is a genuine respect for and interest in U.S. products and companies. While Mexicans are a diverse and independent people, U.S. standards, business practices, and consumer styles are embraced in Mexico, especially by the large segment of the population that is under the age of 25 years.

A Young, Urban Population

Mexico's population is 97 million with a birth rate that has fallen from 3.2 percent to 1.6 percent since 1970, and is expected to reach 1.2 by the year 2000. Approximately 74 percent of the population live in urban areas. The four biggest cities - Mexico City, Guadalajara, Monterrey, and Puebla - account for 27 percent of the total population.

Mexico also is a country of young people: 47 percent are under 20 years old and another 27 percent are between 20 and 40 years old. Forty-three (43) percent of the population are part of the active working force. Only 5 percent of the population are defined as wealthy. The upper-middle class represents about 18 percent of the population and is characterized by university educated people, who serve as professionals or company managers, who own homes and cars, have capacity to buy a wide range of household appliances, and occasionally travel internationally.

Optimism on the Economic Front

The Mexican economy weathered remarkably well during the external shocks that began with the Russian debt default in mid-August, 1998, and ended when Brazil floated its currency in mid-January, 1999. By the end of June, Mexican financial authorities had brokered a package of potential loans intended to "bulletproof" the Mexican economy against any internal shocks in the months leading to the presidential vote in July 2000. In addition, a partial recovery of crude oil prices, further debt restructuring, and a tight 1999 budget should enable the government to meet most of its key economic targets for the year.

Mexico's economic growth continued throughout 1998, averaging 4.8 percent for the year. This growth slowed to 2.6 percent in the fourth quarter of 1998, and to 1.9 percent in the first quarter of 1999. Projections for the second quarter are higher, with estimates for the year currently ranging from 2.8 to 3.3 percent, bracketing the government projection of 3.0 percent.

The Zedillo Administration has continued the privatization and deregulation of the economy that began under the two previous administrations. By mid-1999 all three major railroad lines had been concessioned, and the imminent concession of a handful of short lines is at hand. Over 35 natural gas transport and distribution permits have been issued, including contracts for Mexico City and the surrounding area. Multiple-provider long-distance telephone service has been available since January 1997. Several wireless concessions have been granted and preparations for the competition of local telephone service have begun. By the end of the year, the first group of airports had been concessioned, and a second group put in process.

The Foreign Investment Law provides national treatment for most foreign investment, eliminates performance requirements, and liberalizes criteria for automatic approval of foreign investment proposals. NAFTA investors receive both national and Most Favored Nation (MFN) treatment in setting up operations or acquiring firms, except where reservations have been specifically established.

Some Weaknesses Remain

The banking system remains a weakness within the economy. As the banks have tried to deal with their problem loan portfolios, the macroeconomic recovery has taken place without an expansion of domestic lending. Slow progress is being made, however, and 1998 brought significant changes made to the banking law. A law was passed creating the new Institute for the Protection of Bank Savings (IPAB), restrictions on foreign investment in the country's top three banks were eliminated, and there was a significant increase of foreign investment into the system. IPAB is a deposit insurance fund that also has been tasked with winding up FOBAPROA. By June of 1999, IPAB had assumed control of assets formerly held by FOBAPROA as well as approximately 65 billion dollars worth of non-performing loans. Resolution of the system's main problem will depend on the outcome of IPAB's efforts to handle these accounts.

Another source of concern is the poor security situation in Mexico City and certain other major cities. This was accelerated by the 1994 economic crisis and reflects in part the social tensions created by the skewed internal distribution of Mexican wealth.

Labor relations are generally good but can pose problems for U.S. investors if they do not pay close attention to their legal obligations. A detailed discussion of the labor environment is contained in the U.S. Department of Labor publication, Foreign Labor Trends Report - Mexico (1999).

Increasing Diversity in Politics

Mexico has enjoyed political stability for most of this century, an uncommon phenomenon in Latin America largely due to the political system set up after Mexico's bloody 1910-1917 revolution. The Institutional Revolutionary Party (PRI) has won every presidential election since its founding in 1929. The PRI has successfully adapted to changes in Mexican society over the years by alternating populist and conservative policies. Although the PRI has been the dominant force in Mexican politics through this century, successive political reforms have opened more space for opposition parties.

The key parties in the opposition lie to either side of the PRI in the political spectrum. The center-right National Action Party (PAN) advocates private sector-oriented policies. As of July 1999, it held six state governorships. (Before 1989, governors were always PRI members.) The leftist Party of the Democratic Revolution (PRD) espouses a populist outlook and believes in more government intervention in the economy. Its standard bearer, Cuauhtemoc Cardenas, in July 1997 won the first election for the chief executive of the Federal District (the mayor of Mexico City) in more than 70 years. Prior to Cardenas' victory, the President of Mexico had appointed the mayors of Mexico City. Since July 1999, the PRD in coalition with other parties has won four state governments from the PRI, in Zacatecas, Baja California Sur, Nayarit, and Tlaxcala.

The next presidential elections, scheduled for July 2000, hold promise of being the most free and open in Mexican history. At this juncture it can be said that an opposition party (or coalition) has the potential to win the election, with the possibility that the PRI may be unseated for the first time.

Marketing in Mexico

In spite of the undeniable affinity toward U.S. products and ideas, U.S. firms should not underestimate the need to develop distinct marketing strategies and business styles. U.S. firms new to the Mexican market are well advised to take advantage of the market research, matchmaking and counseling services provided by the Commercial Service and Foreign Agricultural Service in Mexico.

In designing strategies and selecting in-country representation, U.S. firms should not lose sight of the geographic and socio-economic diversity of Mexico. Observers often speak of at least four Mexicos: the northern swath of border cities characterized by explosive industrial growth and a melding with the southwestern U.S.; a U.S.-style entrepreneurial northern tier centered on Monterrey; the region which rings Mexico City, the cultural and political hub of the nation and home to one-quarter of the population and GNP; and a resource-rich but relatively infrastructure-poor south.

When developing a market entry strategy for Mexico, American exporters should be aware of the wide variety of distribution channels. Small retailers and family owned businesses dominate the market. Only 2.2 percent of all industrial firms have more than 250 employees; more than 90 percent employ only 10-15 workers.

Today’s Mexico is full of challenges for U.S. business along with vast opportunity. The Government of Mexico remains committed to the path of economic integration, and U.S. firms are headed for another year of record exports.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the World Wide Web at **http://www.stat-sa.gov.,** **http://www.state.gov.** and **http://www.mac.doc.gov.** Please contact USA STAT-USA at 1-800-STAT-USA for more information. They can also be ordered in hard copy or on diskette from the National Technical Information Service at 1-800-553-NTIS. U.S. exporters seeking general export assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE or by fax at(202) 482-4434.

CHAPTER II
ECONOMIC TRENDS

MAJOR TRENDS AND OUTLOOK

The Mexican economy, buffered by strong intra-NAFTA trade, weathered remarkably well the external shocks that began with the Russian debt default in mid-August, 1998, and that ended when Brazil floated its currency in mid-January, 1999. By the end of June 1999, Mexican financial authorities had brokered a package of potential loans that should "bulletproof" the Mexican economy against any internal shocks in the months leading to its presidential vote in July 2000. Macroeconomic stabilization and floating exchange-rate regimes will allow inflation to resume dropping, reversing the 1998 price surge. The government by mid-1997 had restructured its debt with longer payment periods and lower rates of interest. Further restructuring has lightened the schedule of official debt payments well into the next presidential administration. The construction sector is still below 1994 levels and one or two manufacturing sub-sectors still suffer an occasional monthly down-tic. Retail sales flattened in the last quarter of 1998 and remained weak in the first quarter of 1999, but growth in sales picked up again, beginning in May. By the end of the year, private consumption should again become one of the motors of Mexico's domestic recovery. A partial recovery of crude oil prices and a tight 1999 budget will enable the government to meet most of its key economic targets for the year.

The Mexican government has built a sound economic foundation in which sustained growth can take place. In 1997 and 1998 the annual agreement process among government, business, labor and rural representatives took place. The outline of economic policy was subsumed in a yearly budget process, made considerably more difficult by the opposition-party majority in the Chamber of Deputies. With a presidential election upcoming in the year 2000, budget discussions in the fall of 1999 are likely to again be protracted. The small 1997 fiscal deficit substantially increased in 1998, although three budget cuts held it to the 1.25 percent of GDP deficit originally planned. By late June 1999, the Mexican economy seems reliably en route to a fiscal deficit for the year of approximately the same size. Central Bank monetary policy remains relatively transparent, and discussions are underway on draft legislation that would give the Bank added independence.

In June 1997 the Mexican government released its economic policy framework and projections for the period 1997-2000 under the name of the National Program for Development Finance (PRONAFIDE). The development of this plan was a clear sign that the Zedillo administration had moved beyond the 1994 devaluation-related economic recovery and was now focusing on sustained economic growth. PRONAFIDE envisions an average annual GDP growth of 5 per cent and the creation of one million formal sector jobs per year through the year 2000, supported by growing domestic savings, a high level of direct foreign investment, and responsible monetary and fiscal policy. The program was well received both domestically and internationally. Now, a key objective of the government in 2000 is to avoid the financial crisis that frequently occurs at the end of six-year presidential terms. In mid-1998, Mexico was rated one of the three safest emerging markets for international investors. By mid-June 1999, the Mexican stock market was back among the world's most improved markets for the year to date.

The Zedillo Administration has continued the privatization and deregulation of the economy that began under the two previous administrations. By mid-1999 all three major railroad lines had been concessioned, and the imminent concession of a handful of short lines is at hand. Over 35 natural gas transport and distribution permits have been given, including contracts for Mexico City and the surrounding area. Multiple-provider long-distance telephone service has been available since January 1997. Several wireless concessions have been granted and preparations for the competition of local telephone service have begun. The government warehousing company was sold in mid-1998. By the end of the year, the first group of airports had been concessioned and the government was trying to concession a second group of airports in 1999. One notable setback to the privatization program has been in the area of secondary petrochemical plants. In 1996, strong political and labor opposition to selling off these PEMEX facilities led to the amendment of the scheme. This limited private-sector participation to 49 per cent of any plants sold. By mid-1999, this scheme too had been abandoned with no viable near-term successor in sight.

The banking system remains vulnerable. As the banks have tried to deal with their problem loan portfolios, the macroeconomic recovery has taken place without an expansion of domestic lending. Through mid-1999 commercial bank lending has declined; although some banks' overdue loan portfolios have been slightly reduced, the banking sector generally is not yet supporting the economic recovery. Special government programs implemented in 1996 to ease the debt burdens of mortgage holders, small and medium-sized businesses, the agricultural sector and delinquent taxpayers continue to be helpful, but the underlying problem remains. Slow progress is being made, however, and 1998 brought significant changes made to the banking law. A law was passed creating the new Institute for the Protection of Bank Savings (IPAB), restrictions on foreign investment in the country's top three banks were eliminated, and there was a significant increase of foreign investment into the system. IPAB is a deposit insurance fund that has also been tasked with winding up FOBAPROA. By June of 1999, IPAB had assumed control of assets formerly held by FOBAPROA as well as approximately 65 billion dollars worth of non-performing loans. Resolution of the system's main problem will depend on the outcome of IPAB's efforts to handle these accounts.

The North American Free Trade Agreement (NAFTA) continues to be a key factor in boosting all three member-countries' exports and raising Mexico's overall level of economic activity. During the first five years of NAFTA, 1994-98, Mexico's exports increased by 127 percent, setting a new record for total exports each year. Mexico's exports grew 17 percent in 1994, 31 percent in 1995, 21 percent in 1996, 15 percent during 1997, and 6.4 percent in 1998. They added another 8.3 percent increase in the first five months of 1999 (preliminary data). During the first five years of NAFTA Mexico's imports grew by 92 percent. Mexican imports grew by 21 percent in 1994, declined 9 percent in 1995, grew by 23 percent in 1996 and 1997, and increased by 14 per cent in 1998. Imports in the first five months of 1999 grew by 6.7 per cent (preliminary). The U.S. share of Mexico's trade has grown with NAFTA. In 1998 the United States accounted for 88 per cent of Mexico's exports and provided 74 per cent of Mexico's imports. Both countries' exports to each other set records in 1997 and again in 1998. This trend has continued through the first half of 1999. From 1997 through the first half of 1999, capital and intermediate imported goods grew strongly, making up more than 90 per cent of Mexico's total imports.

The impact of Mexico's recession in 1995 was reduced by NAFTA. Mexico was able to increase its exports overall by 31 per cent and to the U.S. by 28 per cent that year. This helped keep domestic production and employment levels higher than they would have been in the face of a weak internal market. NAFTA also insulated the U.S. economy from the Mexican recession. According to Mexican import statistics, Mexico's total imports dropped 9 per cent in 1995 but its imports from the United States fell only 2 per cent. Again in late 1998, NAFTA partially insulated Mexico from the negative effects of the world financial crisis.

Mexico is vigorously pursuing free trade agreements with many other nations as a way of expanding the benefits from trade liberalization and lessening its dependence on the U.S. market. Prior to 1998, in addition to NAFTA, Mexico had signed free trade agreements with Chile, Costa Rica, Bolivia, Colombia, and Venezuela. In 1998, Nicaragua joined the list of Mexico's free trade partners. Negotiations for NAFTA-consistent free trade agreements continue between Mexico and every other South- and Central- American country, including the Mercosur group, as well as with Israel and the European Union. Mexico also is pursuing trade liberalization through its membership in APEC, and is a major participant in our ongoing preparations to create a Free Trade Agreement of the Americas. Mexico's activist negotiations in this hemisphere over the last three years have laid a great deal of useful groundwork in introducing and defending key considerations which are consistent with NAFTA, and in making them acceptable. In addition, Mexico has an active program of negotiations to establish Bilateral Investment Treaties, four more of which it ratified in late 1998.

PRINCIPAL GROWTH SECTORS

From 1992 to 1994 the economic sectors showing the strongest average growth were transportation, communications, construction, and electricity, reflecting Mexico's emphasis on infrastructure development. At that time, overall manufacturing growth was below the growth rate in the economy. The agricultural sector exhibited the weakest growth of any sector during this period, reflecting what are still-endemic problems of low credit availability, foreign competition, and production inefficiencies.

The sectors that performed the worst in 1995, when GDP declined 6.2 percent, were construction (-24 per cent) and commerce (-16 percent). The only sectors that experienced growth in 1995 were electricity, gas, and water (2 percent). Nonetheless, the maquiladora (in-bond) assembly plants and other export-linked manufacturing plants saw their sales increase, spurred by the depreciation of the peso. Despite 18 percent growth in maquiladora exports in 1995, however, the dollar value-added contribution of the maquiladoras dropped 17 percent because of the declining peso value.

In 1996 GDP recovered, rising 5.1 percent for the year. By May 1996, even the construction sector had returned to positive growth. This broad recovery continued into 1997 except for agriculture, which saw its productivity decline in the third and fourth quarters. Nonetheless, GDP growth during 1997 reached 7.0 percent; even agriculture finished the year up 1.4 percent. Mexico’s economic growth continued throughout 1998, averaging 4.8 percent for the year. This growth slowed to 2.6 percent in the fourth quarter of 1998, and to 1.9 percent in the first quarter of 1999. Projections for the second quarter are higher, with estimates for the year currently ranging from 2.8 to 3.3 percent, bracketing the government projection of 3.0 percent. As now the rule, maquiladoras continue to experience significant progress, with maquiladora output showing a real growth of 12.5 percent in 1997 and 10.4 percent in 1998. Maquiladora production increased a further 8.2 percent during the first quarter of 1999.

GOVERNMENT ROLE IN THE ECONOMY

Mexico’s economic growth continued throughout 1998, averaging 4.8 percent for the year. This growth slowed to 2.6 percent in the fourth quarter of 1998, and to 1.9 percent in the first quarter of 1999. Projections for the second quarter are higher, with estimates for the year currently ranging from 2.8 to 3.3 percent, bracketing the government projection of 3.0 percent. As now the rule, maquiladoras continue to experience significant progress, with maquiladora output showing a real growth of 12.5 percent in 1997 and 10.4 percent in 1998. Maquiladora production increased a further 8.2 percent during the first quarter of 1999.
Mexico’s federal warehouse system was sold in July of 1998, and the Mexican government’s paper production facilities were also

privatized before the end of the year.

BALANCE OF PAYMENTS SITUATION

Mexico began running a deficit on its current account in 1988. This grew to $29 billion in 1994, equivalent to 8 per cent of GDP. The greatest single factor behind this imbalance was the growing trade deficit at that time primarily with Asia and Europe. Imports grew faster than exports due to Mexico's strides in trade liberalization, which allowed goods to be imported, and a surplus on the capital account that paid for these imports. The sizable inflows of capital were due to an explosion in portfolio investment in Mexico, primarily in short-term government debt. The flows also reflected, to a lesser degree, growing direct investment and the ease with which major Mexican companies could borrow money internationally at affordable rates.

In 1994, the large current account deficit and the reversal of short-term capital flows combined to force the December devaluation and subsequent float of the peso. Added depreciation of the peso in 1995 helped bring a major correction in that year’s balance of payments. Mexico's trade deficit of $18 billion in 1994 turned into a surplus of $7 billion in 1995 on the strength of a 31 percent growth in exports and a 9 percent decline in imports. The current account deficit of $30 billion in 1994 was cut to just $1.6 million in 1995. These trends continued during 1996, with Mexico recording a trade surplus of $6.5 billion for the year and a current account deficit of $2.3 billion. With the recovery of the economy, Mexico’s imports have been growing more rapidly than its exports. Despite its record-breaking export performance, Mexico’s 1997 trade surplus shrank to $624 million while its monthly trade balance slipped into deficit in July. Although Mexico’s exports continued on another record-breaking pace in 1998, the year ended with a $7.7 billion trade deficit. 1999 is on pace for a slightly lower balance. The 1997 current account deficit of $7.4 billion, more than offset that year by almost $12.5 billion in direct foreign investment, more than doubled in 1998 ($15.8 billion), and will remain at a similar level or slightly lower in 1999. Again, this deficit will be financed by foreign direct and portfolio investment.

INFRASTRUCTURE

The Mexican government has been making a concerted effort to improve the country's infrastructure, which deteriorated during the economic crises of the last decade. In 1994 Mexico had nearly 56,500 miles of paved road, with an additional 6,000 kilometers of superhighway planned for the year 2000. Much of this will be new or upgraded to 4-lane highways, especially between Mexico City and major Mexican ports like Tampico, Veracruz, and Coatzacoalcos on the east coast, and between Mexico City and Manzanillo on the west. In addition, there are plans to widen the remaining section of highway 57 north from San Luis Potosi to Saltillo. This work will improve the safety and facility of increased trade. Mexico also has 16,520 miles of railways, the great majority of which now have been concessioned to private operators.

There are 76 maritime ports in Mexico with 35,000 meters of docking facilities. Since June 1993, private sector concessions have been allowed in port operations and development. Six port facilities have been privatized and more privatization is in process.

There were 9.5 million telephone lines in service in June 1998. Mexico is in the process of fostering competition in telecommunications and has granted ten concessions to companies who began offering competing long-distance telephone service beginning January 1, 1997. U.S. companies are involved in six of the consortia. Despite budget cuts in 1998 and a tight budget in 1999, the government of Mexico worked to upgrade its airport facilities in preparation for privatizing the management of its airports. The first package of airports was concessioned by late 1998, including the important tourist center of Cancun, and a second group is to be concessioned by the end of 1999.

CHAPTER III
POLITICAL ENVIRONMENT

POLITICAL SYSTEM, ELECTIONS, PARTIES

Mexico has enjoyed political stability for most of this century, an uncommon phenomenon in Latin America, largely due to the political system set up after Mexico's bloody 1910-1917 revolution. The Institutional Revolutionary Party (PRI) has won every presidential election since its founding in 1929. The PRI has successfully adapted to changes in Mexican society over the years by alternating populist and conservative policies. Although the PRI has been the dominant force in Mexican politics through this century, successive political reforms have opened more space for opposition parties.

The key parties in the opposition lie to either side of the PRI in the political spectrum. The center-right National Action Party (PAN) advocates private sector-oriented policies, and more honesty in government. As of July 1999, it held six state governorships -- before 1989, governors were always PRI members -- and it has many more officeholders at lower levels of government. The leftist Party of the Democratic Revolution (PRD) espouses a populist outlook and believes in more government intervention in the economy. Its standard bearer, Cuauhtemoc Cardenas, in July 1997 won the first election for the chief executive of the Federal District (the mayor of Mexico City) in more than 70 years. Prior to Cardenas' victory, the President of Mexico had appointed the mayors of Mexico City. Since July 1998, the PRD in coalition with other parties has won four state governments from the PRI, in Zacatecas, Baja California Sur, Nayarit, and Tlaxcala.

The structure of the Mexican government closely resembles that of the United States, having three branches but a more dominant executive. Following nation-wide elections for the bicameral federal legislature in July 1997, the PRI currently holds 76 Senate seats, the PAN has 31, the PRD has 16, the Green Party (PVEM) has one, the Labor Party (PT) has one, and there are three independents. In the lower house - Chamber of Deputies - the PRI has 238 seats, the PRD has 126, the PAN 119, the PT 7, the PVEM 6, and there are four independents. Traditionally a rubber-stamp body, the Congress has increased its autonomy from the executive branch, especially in the Chamber of Deputies after the PRI lost its absolute majority in the July 1997 elections. The opposition legislators from the PRD, PAN, PVEM, and PT have worked together to wrest administrative control of the Chamber of Deputies from the PRI, and their collaboration has extended to some legislative issues. The Mexican judiciary has suffered from a poor career system and low public esteem, although the Congress has approved major judicial reforms that include the creation of a merit-based judicial career.

The PRI's traditional advantages have included its vast nationwide organization and access to government resources, which, in turn, have prompted complaints of unfairness and fraud in elections. As pressure for reform increased, the government has responded gradually. For example, in the late 1970s, opposition candidates were given more opportunities to compete in federal elections with a specific number of seats set aside for them in the lower house. In 1989-90, the Congress passed reform legislation that revamped the entire federal electoral system, creating a semi-autonomous Federal Electoral Institute (IFE) and a separate Federal Electoral Tribunal to adjudicate election disputes. The government has also issued voter credentials with photographs to build confidence in the integrity of voter lists. In 1996 a wide-ranging package of reforms was passed which concentrated on fairness issues such as party financing, access to media, redistricting to reflect demographic shifts, greater autonomy for the IFE, and direct election of the chief executive of Mexico City.

Nonpartisan counselors run the Federal Electoral Institute. The recent reforms also have strengthened the role of the judicial system in protecting civil rights in voting matters. Mexicans observe the electoral process from start to finish with specific legal authority to report irregularities and foreign "visitors" also witness Mexican elections. The IFE provides technical support and training to state and local electoral authorities.

Mexico last held presidential elections in August 1994, in which Ernesto Zedillo of the PRI defeated PAN candidate Diego Fernandez and PRD candidate Cuauhtemoc Cardenas. Most national and international observers regarded the August 1994 presidential elections as the most free and open in Mexican history.

NATURE OF BILATERAL RELATIONSHIP

The relationship of the United States with Mexico is broad and complex. It is the most important bilateral relationship for both countries. A mixture of mutual interests coupled with shared problems, growing interdependence, and different national perspectives shapes it. Historical factors, cultural differences, and economic disparities add further intricacy to the relationship. The scope of U.S.-Mexican relations goes far beyond diplomatic and official contacts, entailing extensive commercial, cultural, and educational ties. Along our 2,000-mile border, state and local governments and citizens' groups interact closely. The two countries cooperate on many issues, including trade, finance, narcotics, immigration, labor, environment, science and technology, and cultural relations.

A strong and economically healthy Mexico is a fundamental U.S. interest. Both governments actively discuss ways to improve cooperation on an array of bilateral issues. Since 1981, this process has been formalized in the unique U.S.-Mexico Bi-National Commission (BNC) composed of U.S. and Mexican Cabinet members. The Commission holds annual plenary meetings, and many subgroups meet during the year to discuss a range of topics, including trade negotiations, migration, law enforcement, cultural relations, education, border cooperation, environment, labor, agriculture, housing and urban development, fisheries, and tourism.

The most outstanding feature of our bilateral relationship in recent years has been the North American Free Trade Agreement (NAFTA) between Mexico, the United States, and Canada. NAFTA includes parallel agreements on the environment and labor rights and created the North American Development Bank to help finance border infrastructure and environmental projects.

MAJOR POLITICAL ISSUES AFFECTING THE BUSINESS CLIMATE

In his fifth year in office, President Zedillo has faced many challenges, ranging from a severe recession in 1995 to the conflict in Chiapas. Although there has not been significant fighting in Chiapas between government and guerrilla forces (the Zapatistas or EZLN) since 1994, local violence has claimed dozens of victims and peace negotiations have been stalled for over two years. Another insurgent group, the Popular Revolutionary Army (EPR), has largely refrained from its characteristic small-scale attacks on government personnel or installations in rural areas over the past two years, although it probably retains the capability to do so.

While the slow recovery from the 1995 recession has underscored the depth of socioeconomic and political problems still present in Mexico, it has not undercut the positive importance of Mexico's dramatic economic changes over the last decade, its status as a developing industrial nation, or its potential for the future. The Zedillo Administration is focusing additional efforts on antipoverty programs to relieve the effects of wide disparities in income distribution, while a more open political system allows the people better opportunity to express their will at the ballot box in elections.

U.S. support for full implementation of the NAFTA has not been affected by either the 1995 recession or by other recent events in Mexico. The U.S. government is confident that NAFTA will continue to foster economic prosperity for all three of the agreement's trading partners. Indeed, the economic growth that NAFTA will bring to Mexico will help alleviate some socioeconomic conditions.

CHAPTER IV
MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION, SALES CHANNELS AND PARTNERS

The Mexican market employs many of the same sales, distribution and marketing techniques used in the United States. However, the U.S. exporter needs to be aware of and respect local customs. For example, breakfast and lunch meetings, much more so than dinner, represent important venues for conducting business in a social setting, with breakfasts gaining popularity as executives become more cost and time conscious in the aftermath of the devaluation.

When developing a market entry strategy for Mexico, American exporters should be aware of the wide variety of distribution channels. Small retailers and family owned businesses dominate the market. Mass merchandising is becoming increasingly popular in the area of consumer goods. Additionally, the already large informal sector of the economy continues to expand. There is often a need for performing original market research, given the limited amount of reliable information in many areas. U.S. exporters are encouraged to review the National Trade Data Bank for Industry Sector Analysis reports. As an alternative, U.S. exporters may wish to consider the use of custom market research. The Customized Market Analysis is available through either the Commercial Service offices in the U.S. or in Mexico.

Most foreign firms sell into the Mexican market by appointing a Mexican agent and/or distributor. Nonetheless, many firms open direct sales offices and subsidiaries; there are over 3,000 U.S. firms with subsidiaries here. With few exceptions, direct sales into Mexico by U.S.-based manufacturers and distributors can be difficult to achieve. The improving, but still difficult, economic situation continues to cause many distributors to conserve scarce financial resources by reducing stocks of imported products; thus, stocking distributors can be hard to find.

Selection of the appropriate agent or distributor requires time and effort. Though there may be many qualified candidates, use high standards in selecting the agent/distributor. Personal presentations and visits to potential Mexican counterparts are suggested.

Since most Mexican firms are selling into a limited area you should consider appointing representatives in multiple cities to broaden distribution, and rarely, if ever, grant an exclusive, national agreement. It is important to develop a close working relationship with the appointed agent/distributor. Providing appropriate training, product support, and timely supply of spare parts is critical to your chances for success. There are no indemnity laws to prevent a company from canceling an agent or distributor agreement, but the cancellation clause should include specifics; this clause should be free of vague language. Sales performance clauses in agent/distributor agreements are permitted and failure to meet established standards can be a reasonable cause for contract cancellation.

Before signing the agent/distributor agreement, make certain that the person understands the terms and conditions and the relationship to be developed. Many relationships are strained because insufficient time is invested in developing a full understanding of what is expected.

The Commercial Service and other organizations, such as the American Chamber of Commerce and U.S. state government offices, maintain lists of Mexican agents/distributors, manufacturers, Mexican government offices, and private sector trade organizations. After identifying a suitable agent/distributor the U.S. exporter is encouraged to conduct a commercial background check on the Mexican firm, such as offered by the U.S. Commerce Department's International Company Profile (ICP) report.

If the product is new to the market, or if the market is extremely competitive, advertising and other promotional support should be negotiated in detail with your representative. Product and industry knowledge, track record, enthusiasm and commitment should be weighted heavily. Service and price are extremely important to Mexican buyers. The U.S. exporter should also schedule annual visits of Mexican personnel to the U.S. plant for training. Other factors to consider include financing, as the commercial and industrial sectors’ resources are limited due to high interest rates. Joint venture arrangements should also be investigated to strengthen market penetration. Direct marketing and telemarketing are still evolving as a marketing strategy but they are gaining in popularity and scope.

FRANCHISING

Franchises in Mexico have been growing rapidly since 1991. Despite the December 1994 devaluation, the franchise business survived the crisis and grew 18 percent in 1998. This growth was achieved mainly among Mexican franchisers. There are over 450 franchisers operating in Mexico of which 42 percent are foreign and 58 percent are Mexican. In 1997, the franchisers had 16,000 sales outlets grossing US$5 billion in sales. In addition to scores of strong U.S. franchises, the competition includes firms from Canada, Spain, Australia, Germany, France, Holland, Italy, United Kingdom, Switzerland and Latin America. In almost every Mexican city there are McDonalds, Pizza Hut, Dunkin Donuts, Dominos Pizza, Kentucky Fried Chicken and Gap franchise operations. This franchise sector accounts for approximately 6 percent of retail, hotel, and restaurant activity and 1 percent of Mexico's total GDP. There are no barriers to franchisers of any products or services.

PRICING

Profit margins on goods sold in Mexico are high. Exporters should look carefully at import duties (taking into account the NAFTA tariff reductions), broker's fees, transportation costs, and taxes to determine if the product/service can be priced competitively.

The import duty is calculated on the U.S. plant value (invoice) of the product plus the inland U.S. freight charges to the border and any other costs listed separately on the invoice and paid by the importer, such as export packing. In addition, a customs processing fee (CPF) of 0.8 percent is assessed on the total of the selling price of the product, inland freight cost, other fees (export packaging), plus duty paid and the custom broker fee, if this service is employed.

According to recent modifications in Mexican customs law, the participation of a customs broker is not obligatory for imports if all legal and technical requirements are met. The use of a customs broker is suggested when the exporter is not familiar with the Mexican standards and customs processing procedures.

A 15 percent Value Added Tax (IVA) is then assessed on the cumulative value consisting of the U.S. plant value (invoice) of the product(s), plus the inland U.S. freight charges, any other costs listed separately on the invoice such as export packing plus the duty. The importer will pay other IVA fees for such services as inland Mexico freight and warehousing. The IVA is recovered at the point of sale.

GOVERNMENT PROCUREMENT

The 1993 Federal Law of Acquisitions and Public Works (LAOP) establishes the procedural framework for public tenders at the federal, state, and municipal levels. State and municipal contracts are not subject to the NAFTA chapter 10 rules nor to the federal procurement law if there are no federal funds involved. While maintaining a representative or office in Mexico is not a prerequisite to obtaining most contracts, it can simplify obtaining the information needed to prepare bid documents and support after-sales service and parts supply.

In March 1996 the Mexican Comptroller's Office (Secretaria de Contraloria y Desarrollo Administrativo, "SECODAM" or "Controlaria") launched the "Electronic System for Government Procurement," better known as "COMPRANET." Through the use of a no-cost, Spanish language Internet website (http://compranet.gob.mx) the Mexican Government seeks to make its procurement system more transparent, accessible, and efficient for both suppliers and government customers. The site began by reproducing all tender notices of federal government entities that appear in the government gazette ("Diario Oficial"), and has steadily added more material. Current headings include: "Current Tenders," "History of Past Tenders," "Awards," "Payment for Bid Bases," "Standards and Regulations," "Contracts," "Suppliers," "Protests," and "Annual Procurment Plans." There is also an explanatory section in English. Both national and international tenders are covered, and a major division is made between public works and general procurement. It is possible to view procurement statistics and search by product type and state in which the federal procurement is being carried out. An ambitious plan of the Mexican Government is to augment COMPRANET through the use of electronic signatures and cryptography to allow for complete electronic exchange of documents, including bid submission and a "real time" award process.

The entities having the largest purchasing budgets include:

Mexican Petroleum (Petroleos Mexicanos - PEMEX)
Federal Electricity Commission (Comision Federal de Electricidad -

CFE)

Secretariat of Communications and Transport (Secretaria de Comunicaciones y Transportes - SCT)

Mexican Social Security Institute (Instituto Mexicano del Seguro Social - IMSS)

Institute of Security and Social Services for the Government Workers (Instituto de Seguridad y Servicios Social para los Trabajadores del Estado - ISSSTE)

National Subsistence Company (Compañia Nacional de Subsistencias Populares - CONASUPO)

The LAOP consolidated most of the purchasing regulations previously spread among various laws. The objective of the law is to level the field for all parties interested in selling to the participating entities. The law provides detailed procedures to release tenders and to receive bids. It sets out the obligations for both government buyers and bidders. Finally, if a seller believes that the buyer did not follow the tender process, the law includes a complaint procedure.

Key aspects of the law are:

A) The procedures apply to both public works and goods purchases. Prior to 1993, goods and public works tender had different rules although the contracting procedures were the same.

B) It provides for the national and non-discriminatory treatment of suppliers.

C) Service tenders are included.

D) Contracts will usually be awarded through public tenders, to those bidders that satisfy the tender specifications.

E) Entities/government enterprises must publish tenders in the Official Gazette.

F) An annual procurement program must be prepared every year by each entity and government enterprise and this information must be available to suppliers and contractors by March 31.

G) Tenders can be issued and contracts awarded only when funds are available. This article was included to avoid canceling tenders or contracts due to a shortage of funds.

H) International bidding is required to comply with trade treaties or when any or several of the following apply:

   1) Market research states that domestic suppliers cannot meet quantity or quality requirements.

   2) Local contractors are not qualified to execute a project.

3) Better prices can be obtained.
4) Foreign financing is involved.

I) In international tenders, participation by domestic and foreign firms as well as local sales agents is allowed.

American firms are encouraged to:

- Carefully analyze the tender specifications. They may differ from entity to entity, depending on the value of operation, type of goods or services, budget limitations, etc.

- Each tender includes a specific period of time for participants to ask questions. By asking for all details, the unnecessary disqualification of a firm may be avoided. In some tenders, only written questions are permitted. Replies are given to all purchasers of the tender documents.

- If a tender specifies a certain brand or gives preference to a supplier, a complaint can be filed with the General Directorate of Complaints, whose address and telephone numbers are listed in the key contact section of this report. Do not wait for the contract to be awarded.

- A bid will be disqualified if not received within the specified period of time.

- Bid only on the exact specifications listed in the tender. "Solutions" and or specifications not listed will disqualify the bid.

- Communicate regularly with your Mexican representative and fine-tune all details related to the required documents.

LEGAL POINTS

The legal and regulatory requirements in any country affect the way a company does business. Learning to maneuver through the legal maze can be a highly complex procedure. Since the NAFTA agreement was approved, Mexico has been making a concerted effort to bring its laws and regulations into line with the accord's provisions. This has resulted in a measure of legal continuity among the agreement's member nations, but important differences remain.

Many U.S. firms make the mistake of assuming that Mexico's legal framework is very similar to that of the U.S. and depend on their American legal counsel to advise them on doing business in Mexico. Even with U.S. counsel, the U.S. Embassy recommends that a Mexican lawyer, or an American lawyer trained in Mexican law, review all legal documents related to the firms business operations in Mexico, including labor contracts and obligations. Also, all contracts should have firm arbitration clauses. Litigation, as in the U.S., is both costly and lengthy.

As in the U.S., the Mexican legal system has both federal and state civil codes; however, the vast majority of laws affecting U.S. companies doing business in Mexico will come under federal jurisdiction. Most important of these are corporate law, foreign investment regulations, import regulations and standards, intellectual property protection and tax codes.

U.S. firms seeking to do business in or with Mexico have a full range of options to consider with respect to business entities, each option presenting different legal issues. Other legal aspects, such as investment regulations and standards are discussed in other sections. Investment regulations can be very important for some U.S. companies wanting to do business in Mexico, since the Foreign Investment Law and the North America Free Trade Agreement now allow corporations with up to 100% foreign equity. However, some industry sectors are regulated by the Mexican Government and require an authorization when more than a 49% foreign investment is intended.

DIRECT SALES

U.S. firms making direct sales to companies in Mexico need to be more concerned about following good international trade practices than about Mexican law. The biggest concern for a company selling internationally is making sure they get paid, and many types of payment are commonly used, including letters of credit, pre-payment, documents against payment, open account, and receivable insurance. Mexico is a member of the United Nations Convention on International Sales of Goods, and American firms are encouraged to become familiar with this treaty as they can request the Mexican importer to honor the provisions of this convention, if appropriate.

Firms doing business from the U.S. that do not establish a presence in Mexico do not create income tax or other obligations with the Mexican government. If a U.S. firm wants to appoint an intermediary, such as an agent or distributor, the Mexican representative should be limited to doing market research, promotion, solicitation and negotiations for the sale of products and services. If desired, U.S. firms can grant permission to the local company to execute contracts. In addition, it is common practice for the Mexican representative to provide their Mexican clients with information such as pricing, payment terms, etc. Also, the Mexican representative will normally receive payment on behalf of the American firm.

TYPES OF BUSINESS INCORPORATION

For U.S. companies wanting to establish a presence in Mexico, the General Law of Mercantile Organizations (or the Civil Code) regulates the many different forms of business entities. The type of business incorporation that a U.S. company or individual chooses is extremely important because it determines the operations they are allowed to perform in Mexico and, among other liabilities, the amount of taxes they pay.

Some of the most commonly used types of business forms are the Sociedad Anonima (Corporation) identified with "S.A." at the end of the company name and the Sociedad Anonima de Capital Variable (Corporation with Variable Capital) identified with "S.A. de C.V." One of the advantages of the latter is that the minimum fixed capital can be changed subsequent to the initial formation.

The Limited Liability Partnership (Sociedad de Responsabilidad Limitada) identified with "S.de R.L." is similar to a closed corporation in the U.S. and it also has the option of having a variable capital. As this is an organization conformed by individuals, it can have similar characteristics to a partnership with the exception of the unlimited liability.

Civil Partnership (Sociedad Civil) is the most common organization for professional service providers. It has no minimum capital requirements and no limit in the number of partners, but it is taxable in the same way as a corporation. It is identified with "S.C."

Civil Association (Asociacion Civil) is the form that charitable or nonprofit organizations adopt to operate and is identified with "A.C."

A foreign company may open a branch ("sucursal") in Mexico as an alternative to incorporating. A branch can provide rights and responsibilities similar to a corporation, including tax liability and access to local courts, but requires the approval of the National Foreign Investment Commission.

ADVERTISING

There is a wide range of broadcast and print media available. There are approximately 19.4 million homes in Mexico, 93 percent or 18.1 million of which have electric power. Around 19.1 million homes have one radio and 16.5 million homes have at least one TV set. Radio has the widest coverage. There are more than 300 FM and 500 AM radio stations throughout Mexico. Most of the radio stations broadcast 24 hours a day.

There are 1,815 million subscribers to cable TV, representing 11 percent of the homes with at least one TV set. There are six TV networks having national coverage and almost 100 local or regional TV stations. Televisa and Television Azteca are the largest broadcast TV networks. Televisa has four national networks while Azteca has two. In addition, there are 204 cable TV networks. Multivision has approximately 500,000 subscribers and Televisa has some 400,000. In early 1998, Multivision and Televisa started offering Direct-to-Home (DTH) television services. So far, around 220,000 people have contracted this service. Televisa and Multivision have the same amount of subscribers, 120,000. There also are a significant number of wealthier households that have access to U.S.-based satellite programming in English.

In Mexico, more than 450 newspapers and 300 magazines are published. Many magazines are industry specific. Advertising in Mexican print media is usually more expensive than in the U.S. Advertising rates generally approximate those of large international cities.

Advertising on billboards is also common in Mexico. There are approximately 60 billboard companies in Mexico offering various kinds of billboards ranging from plain paper billboards to electronically controlled billboards. There are over 100 advertising agencies in Mexico.

Successful ad campaigns are generally described as having a local touch, which may include both linguistic and cultural considerations. Exporters may wish to seek assistance from one of the many full-service advertising agencies in Mexico City, many of which are branches of U.S. and other firms. U.S. firms should be careful in using Spanish language translations obtained in the U.S., as these may not reflect current Mexican usage.

LIST OF MAJOR NEWSPAPERS AND BUSINESS JOURNALS

Business Journals

Alto Nivel
Hda. Del Rosario No. 195
Col. Prados del Rosario
02410 México, D.F.
Tel: (011-52-5) 382-7376
Fax: (011-52-5) 382-7387
Circulation: 25,100
Printing Data: Size: 9.6 x 7.6"; three 2.2" columns
Contact: Ms. Patricia Arrieta, Advertising

America Economia
Published by: Dow Jones & Co., Inc.
Isaac Newton No. 286, Piso 9
Col. Chapultepec Morales
11560 México, D.F.
Tel: (011-52-5) 254-2400, 254-2415, 254-1352
Fax: (011-52-5) 254-7510
Circulation: 13,500
Printing Data: Size; 10.8 x 8.1"; three 2.2 columns
Contact: Mrs. Norma T. N. De Alcázar, Advertisement Director

Business Mexico (Monthly)
Published by: The American Chamber of Commerce of Mexico
Lucerna 78
Col. Juárez
06600 México, D.F.
Tel: (011-52-5) 724-3800 ext. 3335
Fax: (011-52-5) 703-2911 or 703-3908
Circulation: 10,000
Printing Data: Size: 9.8 x 7.5"; three 2.2" columns
Contact: Ms. Diane Hemelberg de Hernández, Editor
Cristina Bustos, Advertising

El Nuevo Inversionista
Published by: Videovisa Publicaciones, S.A. de C.V.
Acoxpa No. 444, Piso 5
Tel: (011-52-5) 229-3100 ext. 3210, 3107 and 1464
Fax: (011-52-5) 229-3100 ext. 1421

Circulation: 17,000
Printing Data: Size: 9.3 x 7.3"; three 2.2 columns
Contact: Ms. Guadalupe Pardo Aguirre, Commercial Director

Entrepreneur
Published by: Impresiones Aereas, S.A. de C.V.
Arquímedes No. 5
Col. Polanco
11560 México, D.F.
Tel: (011-52-5) 769-8935
Fax: (011-52-5) 726-8968
Circulation: 20,000
Printing Data: Size: 9.4 x 7.1"; three 2.2" columns
Contact: Ms. Tata Sandoval, Marketing Director

Expansion
Published by Grupo Editorial Expansion, S.A. de C.V.
Sinaloa No. 149, 9th. Floor
Col. Roma Sur
06700 Mexico, D.F.
Tel: (011-52-5) 207-2176
Fax: (011-52-5) 511-6351
Circulation: 24,000
Printing Data: Size: 9.8 x 7.1"; three 2.2" columns
Contact: Adriana Mondragon, Angelina Gamboa, Advertising

Mundo Ejecutivo
Edited by: Grupo Internacional Editorial, S.A. de C.V.
Río Nazas No. 34
Col. Cuauhtémoc
06500 México, D.F.
Tel: (011-52-5) 566-4144, 566-0543, 209-9930
Fax: (011-52-5) 566-0564
E-mail: **mundoeje@inetcorp.net.mx**
URL: **http://www.mundoeje.com.mx**
Circulation: 22,000
Contact: Mr. Emilio Flores, Commercial Manager

Newspapers

EL ECONOMISTA
Av. Coyoacán No. 515
Col. Del Valle
03100 México, D.F.

Tel: (011-52-5) 237-0791
Fax: (011-52-5) 682-9369
URL: http://www.economista.com.mx
Circulation: 35,000
Printing Data: Offset: 170 Agata lines, four columns
Contact: Mr. Alejandro Ortíz, Advertising Executive

EL FINANCIERO
Lago Bolsena No. 176
Col. Anahuac
11320 México, D.F.
Tel: (011-52-5) 227-7600, ext. 7647
Fax: (011-52-5) 227-7687
URL: http://www.elfinanciero.com.mx
Circulation: 135,000
Printing Data: Offset; 180 Agata lines, four columns
Contact: Lic. Francisco Javier Badiola Contreras, Deputy Commercial Director

El Financiero Weekly International Edition
2300 S. Broadway
Los Angeles, CA 90007
Tel: (213) 747-7547, (800)433-4872
Fax: (213) 747-2489

EL UNIVERSAL
Published by: El Universal Compañía Periodística Nacional
Bucareli No. 8
Col. Centro
06040 México, D.F.
Tel: (011-52-5) 521-0010, 709-1313, ext. 1030, 1031, 1032
Fax: (011-52-5) 521-8080
URL: http://www.el-universal.com.mx
Circulation: 170,000
Printing Data: 300 Agata lines, eight columns
Contact: Lic. José Luis Grosvenor Ibarra, Sales Manager

EXCELSIOR
Published by: Excelsior, Compañia Editorial, S.C.de R.L.
Av. Paseo de la Reforma No. 18
Col. Centro
06600 Mexico, D.F.
Tel: (011-52-5) 705-4444
Fax: (011-52-5) 546-0787

URL: http://www.excelsior.com.mx or http://worldnews.net/excelsior/excelsior.html
Circulation: 200,000
Printing Data: 280 lines, eight columns
Contact: Mr. Gabriel Manzanilla Aragón, Advertising Chief

REFORMA
Published by: Consorcio Interamericano de Comunicación, S.A. de C.V.
Av. Mexico Coyoacan No. 40
Col. Santa Cruz Atoyac
03310 Mexico, D.F.
Tel: (011-52-5) 628-7878
Fax: (011-52-5) 628-7466
URL: http://www.infosel.com.mx/
Circulation: 94,000
Contact: Lic. Jesus Vazquez, Advertising Director

DEMOGRAPHICS

Mexico's population is 97 million with a birth rate that has fallen from 3.2 percent to 1.6 percent since 1970 and it is expected to reach 1.2 by the year 2000. Approximately 73.5 percent of the population live in urban areas and 26.5 percent live in towns with less than 2,500 inhabitants. The four biggest cities -- Mexico City, Guadalajara, Monterrey, and Puebla -- concentrate 26.7 percent of the total population.

Mexico is a country of young people: 47 percent are under 20 years old and another 26.5 percent are between 20 and 40 years old. Forty-three (43) percent of the population are part of the active working force. Fifty-four (54) percent of the industrial labor force is concentrated in large companies having more than 250 employees, which constitute only 2.2 percent of total industrial companies in Mexico.

Only 5 percent of the population are defined as wealthy -- people with high level of education, luxury housing, multiple vehicles, and with possibilities for international travel. The upper-middle class represents about 18 percent of the population and is characterized by university educated people, who serve as professionals or company managers, who own homes, cars, have capacity to buy a wide range of household appliances and occasionally travel internationally. The lower-middle class comprises about 45 percent of the population, which live in smaller houses or apartments, have few opportunities for travel and spend most of their income on basic products. The rest, or 32 percent of the population, is in poverty -- they live in marginal urban suburbs or in rural areas, are underemployed or unemployed, and hardly cover their basic necessities.

REGIONAL PROFILES

The Commercial Service of the U.S. Department of Commerce maintains offices in Mexico City (country headquarters), Monterrey, Guadalajara, and Tijuana. The following profiles provide characteristics of the regions served by each of these offices.

Central Region

The central area includes Mexico City with an estimated 20 million inhabitants, Puebla with 2.5 million, Cuernavaca with 0.6 million, Toluca with 1.2 million and Pachuca with 0.3 million. This region is the political, commercial, financial and cultural center of Mexico.

Mexico City, known also as the Federal District, is the capital city of Mexico. The city is the seat of the Federal Government and houses all the ministries, most government agencies and over 227,000 firms.

Mexico City is the most important distribution center in the country. Mexico City has more shopping centers and hotel rooms than any other city in the country. During the last five years, major U.S. retail stores such as Wal-Mart, Home Mart and Office Depot have opened new stores and sell many U.S. and local products to Mexican customers.

Cuernavaca, the capital city of the state of Morelos, is home to more than 22,000 firms in the pharmaceutical, food processing, electrical equipment, electronics, machine tools, cosmetics, perfumes and agricultural industries.

There are more than 22,240 firms in Pachuca, the capital of the state of Hidalgo. The state has a very diversified industrial base that includes mining, footwear, agriculture, machine tools, textiles, food processing, lime, cement and petrochemicals.

The State of Puebla, with a population of more than 5 million is known for its textiles, sugar, paper, petrochemicals, automobile and auto parts industries. Puebla is the site of Volkswagen's Mexican production.

In the city of Toluca, there are more than 122,000 firms in the auto parts, food processing, electrical equipment, electronics, textiles, and automobile industries. Toluca is a location for Mexican production by DaimlerChrysler.

Western Region

Seven states comprise the western region of Mexico: Jalisco, Michoacan, Nayarit, Colima, Sinaloa, Aguascalientes and Guanajuato. Their principal cities are: Guadalajara, Puerto Vallarta, Leon, Aguascalientes, Morelia, Zamora, Colima, Manzanillo, Tepic, Culiacan, Mazatlan, Celaya, and Irapuato.

The city of Guadalajara, state of Jalisco, historically has been the commercial, agricultural and financial hub of western Mexico. Jalisco has the third largest economy among Mexico's 31 states and the Federal District. The capital city of Guadalajara -- with a population of 5.5 million -- is the second-largest metropolitan area after Mexico City. It ranks first nationally in agricultural production (milk, eggs, agave, sugar cane, corn) and livestock products (animal feed, beef, pork, and poultry), and represents the most important market for agricultural equipment and other U.S. agribusiness interests in Mexico.

The Guadalajara area leads the country in electronics manufacturing and is often referred to as "the Silicon Valley" of Mexico. It is responsible for 75 percent of Mexico's computer production. Other important industries in the state of Jalisco are tequila, ladies' footwear, furniture, jewelry, textiles and apparel, food processing, metalworking, and tourism. Over 20 Fortune 500 companies have chosen Guadalajara for their headquarters in Mexico.

The city of Leon, state of Guanajuato, is a world player in the production of footwear. The state of Aguascalientes has an important automobile industry. Michoacan is primarily dedicated to the production of leather, paper, and chemicals. The port of Manzanillo in Colima is the main gate for Mexican exports to Asia.

Consumer Goods. Consumer markets in the western region are dominated by small, traditional, family-owned enterprises; over half of all commercial establishments have less than five employees. One of the fundamental differences between consumer markets in Mexico and those in the U.S. is the role of supermarkets and hypermarkets. In Mexico, these types of stores offer a wide variety of non-food products and are the principal distributors of medium-priced consumer goods to the middle-class. Low-income purchasers tend to buy from the informal sector, which includes street vendors, open-air markets known as "tianguis" and individuals operating from their homes.

Guadalajara's wholesale and retail consumer goods market grew by 15 percent in 1998. There are plans to develop 80 new commercial projects that include supermarkets, drugstores, cinema theaters, apparel stores, two new shopping malls, dry cleaners, and diverse franchises.

Agriculture and Foodstuffs. The food processing industry is one of western Mexico's most important sectors and accounts for 38 percent of Jalisco's manufacturing output. Within this sector, the beer and candy industries have shown the greatest growth. A milk and sugar sweet known as "cajeta" is Guanajuato's most important product. Edible oils, frozen foods, and a variety of snacks are produced in neighboring Michoacan.

Mexico’s agricultural sector is badly under-mechanized. Most agricultural machinery and equipment in Mexico is more than 15 years old. Environmental regulations regarding soil erosion, engine exhaust emissions, and water pollution have been enacted, and Mexican farmers and machinery manufacturers may eventually have to change to new practices and products. Since new agricultural machinery and technology can be very expensive and these high costs are beyond the financial capabilities of the Mexican market, most farmers prefer to buy used agricultural machinery, whenever possible and when credit is available. Several companies manufacture tractors in Mexico. John Deere is known to give credit to Mexican farmers to purchase its tractors.

The state of Jalisco is a leader in the production of almost all basic agricultural products and has an important forestry industry. It is host to Mexico's most important agricultural trade show, AFIA-AGRO.

Agriculture plays an important role in the state of Nayarit where farmers grow sugar cane, coffee, corn and beans. Tepic, the capital of Nayarit, is an important commercial and distribution center for fertilizers and agricultural machinery.

Lettuce, broccoli, and all sorts of green vegetables are grown in the state of Guanajuato. Michoacan is a world-leader in the production of avocados and also produces sorghum, wheat, sugar cane, beans, strawberry, watermelon, and mango. Colima farmers primarily grow lemon and sugar cane.

The state of Sinaloa is the number one producer of tomatoes in Mexico and also has a well developed and large scale aquaculture industry, producing shrimp and other seafood.

Electronics. The electronics industry was one of the first sectors to recover from the severe Mexican economic crisis of 1995. It is experiencing rapid growth, with 17% projected for 1998 and 1999. There is very little local manufacturing of electronic components -- over 90% are imported, 85% from the U.S. Most go to maquiladora plants, whose production is exported. Foreign investment in the sector has doubled in the last two years. The enactment of NAFTA brought a great influx of Asian companies. In Guadalajara alone, 265 Asian businesses set up operations in 1996 and 1997.

The growth of the Mexican electronics industry favors U.S. imports. U.S. manufacturers held an 85 to 90 percent market share for components. Despite efforts by the Mexican Government to develop supplier industries, the major electronics companies such as Lucent Technologies, Solectron, Phillips, IBM, Hewlett-Packard, Motorola, SCI Systems, and Flextronics will continue to require mainly imported electronic components to manufacture their electronic consumer goods.

Products manufactured in Mexico that require electronic components include computers, printers, telephones, cellular phones, pagers, television sets, VCRs, CD players, radios, power supplies, mother boards, PC boards, subassemblies, computer keyboards, and PC boards. Guadalajara has become the center for high technology products, computers, laser printers, and telephones; Tijuana has become specialized in the production of television sets.

The dynamic growth of electronics production offers excellent opportunities for U.S. suppliers. Although the headquarters of the major players are overseas, most purchasing decisions are made locally. Integrated circuits and subassemblies and printed circuits offer most sales potential; other good prospects include transistors, connectors, ceramic capacitors, relays, circuit breakers/switches, and resistors.

Capitalizing on its proximity to Guadalajara, the city of Aguascalientes has also begun promoting electronics and has attracted Texas Instruments and Xerox to set up Mexican manufacturing facilities.

Footwear. Leon is the capital of men's footwear; Guadalajara (a 3-hour drive away) specializes in women's shoes. Of the 1,000 shoe producers in Jalisco, only 325 participate actively in the footwear industry chamber. Ninety-two (92) percent of the companies are "micro-empresas" (micro-enterprises), 6 percent medium-sized, and only 2 percent are large shoe manufacturers. Jalisco exports 25 million pairs of shoes to the U.S., Canada, Europe and South America.

Textiles and Apparel. Since local manufacturing does not produce a wide range of fibers, synthetic fibers and cotton are imported from the U.S. and Canada. The apparel sector grew 7 percent in 1998, placing Jalisco in fourth place in apparel manufacturing in Mexico. Growth was primarily sustained by maquila operations, valued at over US$4 billion. Although NAFTA can be credited for having spurred great interest in this sector, a free-trade agreement with the European Community is under negotiation and holds promise of even greater expansion. There has been a notable increase in Asian investment in 1998/9.

Aguascalientes ranked fourth in 1998 in the manufacturing of fabrics and apparel. Levi's jeans are manufactured in Aguascalientes and exported to the U.S.A.

Furniture. Furniture production was especially affected by the economic crisis of 1995 during which some 65 percent of manufacturers went out of business. Of the 435 furniture manufacturing establishments in Jalisco, only three percent are considered large. Most specialize in wooden furniture (rustic pine and mahagony). There is a strong furniture manufacturers association in Guadalajara (AFAMJAL) that organizes Mexico's most important furniture show -- Expo-Mueble -- as well as the furniture production show -- Tecno-Mueble. Except for mahagony, most quality furniture is produced from imported wood.

Jewelry. The state of Jalisco is the leader in jewelry, producing over 55 percent of all gold and silver jewelry made in Mexico. In 1998 Jalisco's jewelry manufacturers sold 15 tons of gold and 40 tons of silver, which represents a growth of 18 percent over the previous year.

Automotive Industry. There is an important Nissan automotive plant in Aguascalientes. The automotive industry in Aguascalientes manufactures gasoline and diesel engines, car and truck suspensions, engine valves, electric harnesses, rubber and plastic auto parts, and air conditioning systems. In the outskirts of Guadalajara, Honda manufactures its Accord and Civic models for all of North America.

Metalworking. There are almost 2,500 companies in Jalisco that produce all sorts of metal products: Hardware, valves, agricultural equipment and machinery, metal furniture, steel, and cutting instruments. The metalworking industry of Aguascalientes mainly produces parts for trains and agricultural equipment.

Tourism. Jalisco is the second most visited state in Mexico, with Puerto Vallarta and Guadalajara as the main destinations.
The growth of tourism in the western region is creating ongoing opportunities for inputs into the sector. U.S. companies have been successful in exporting a variety of watercraft and other products related to beach tourism.

With official support from federal and state authorities and private enterprise, important tourist developments (ecological tourism hotels, recovery of haciendas, developments for retired people and golf courts) are taking place along the beaches, specially at Puerto Vallarta, Barra de Navidad, Tenacatita, Careyes, and others. Lake Chapala, Tapalpa mountains, Mazamitla mountains, and Los Altos area, are other places that induce major development in this activity.

Northwestern Region

The Northwestern region comprises the States of Baja California, Baja California Sur and Sonora. The State of Baja California shares its northern border with California and Arizona, and is known as an active industrial, agricultural, in-bond manufacturing, and tourist area. Baja California Sur is surrounded by the Pacific Ocean on the left, and the Mar de Cortez on the right. Located in the lower part of the peninsula of Baja California, this state has beautiful and exclusive resort areas, and is an active producer of organic foodstuff. The State of Sonora, recognized for its exceptional livestock worldwide, shares its border with Arizona to the north and Sinaloa, another well-known tourist destination, to the South. Both Sonora and Sinaloa offer a similar market for agricultural equipment and other U.S. agribusiness interests, especially in the fishing sector.

Baja California. Baja California is estimated to have a population of almost 3 million. Since 1995, Baja California has been experiencing an average growth rate of 4.3 percent (the second highest of the country) due to local growth and migration from other parts of Mexico. Due to the wage discrepancies between the cities Tijuana and San Diego, and the hardship caused by the 1994 devaluation throughout Mexico, illegal immigration has increased considerably. The average annual salary for a job in Tijuana was approximately US$4,000 in 1995, while the average for similar jobs in San Diego was $27,842.

The Baja California-California border accounts for more than 50 percent of the entire U.S.-Mexico border population, and California's trade with Mexico has grown faster than Texas since the implementation of NAFTA. Tijuana-San Diego is still the busiest land crossing in the world. Mesa de Otay is the most important commercial port-of-entry in the region, and the second busiest commercial land port in the U.S., following Laredo, Texas.

Baja California is divided into five municipalities: Tijuana, Mexicali, Ensenada, Rosarito and Tecate. Tijuana -- also known as the TV capital of the world -- is a dynamic industrial city with an unofficial population of almost 1.5 million, half of which are migrants from other parts of Mexico and other Latin countries. With an abundant supply of young labor (74 percent of the population is less than 35 years old), Tijuana is expected to double its population in 16 years, thus reaching the population of its northern neighbor, San Diego.

More than one third of the 3,300 maquiladoras established throughout Mexico are located in Baja California. The electronic sector is the most important economic activity, employing at least 90,000 people. Even though there are no more than 140 Asian maquiladoras in Baja California, they account for most of the local employment. For example, in Tijuana, Sanyo (Japan) alone employs 7,500 people. Sony, in 1972, became the first Japanese-based consumer electronics manufacturer in the United States; it now employs 6,500 people in Tijuana and 1,600 in Mexicali. This economic activity helps both sides of the border since, for example, the Sony Technology Center in San Diego currently designs, develops and produces computer and graphics display monitors, video conferencing systems, and optical storage products for Sony and other leading U.S. computer makers. Built 27 years ago, this facility evolved from solely manufacturing to a center for engineering and product development.

Tijuana hosts the majority of these electronic-related assembly plants (782), followed by Mexicali (199), Tecate (118), Ensenada (83), and Rosarito (8).

The level and quality of the education of Baja California are considered among the highest in the country. The average years of education is eight, and this State invests more funds in education than most (50 percent of the State's total budget). High-growth industries in Baja California include electronics manufacturing, tourism and hospitality, health care, fishing, and the environmental sector. These industries are expected to provide impetus for growth in personal services, retail and wholesale trades, and supply industries.

Sonora. With a population of approximately 15 million, Sonora is Mexico's leading producer of livestock for both national and foreign consumption, especially from the U.S. It is divided into eight municipalities, with an average population of 200 inhabitants. Its main cities are Hermosillo (the state capital), the border town of Nogales, and Guaymas.

The municipality of Hermosillo, located 240 miles south of Arizona, has one of the largest concentrations of maquiladora plants (50), and registers the highest growth in this sector (8-10 percent annually in recent years). There are over 244 maquiladoras in the State of Sonora, making this sector the leading employer with nearly 90,000 employees. The maquiladora growth rate for the last five years has averaged 12 percent. According to the Association of the Maquiladora Industry of Sonora, the overwhelming majority of these plants are labor intensive assembly operations, and import a considerable amount of parts from the United States.

Hermosillo's economy is also responsible for important production of livestock. In addition, thanks to the state's 1,000 kilometer coastline, fisheries generate a considerable amount of foreign exchange. With a fleet consisting of more than 7,000 vessels, the "Sonorenses" harvest large volumes of shrimp, sardine, shark, sea bass, sole and tuna.

The port of Guaymas, on the Pacific Ocean, is well known for the production of shrimp. The firm Ocean Garden has an important processing plant at this port. There are other important plants located throughout the State of Sonora, including Mexican production for Ford Motor Company.

Maquiladoras located in Nogales, the second largest city in the State of Sonora, produce mainly textiles.

Historically, Sonora and Arizona have had close socio-economic ties. The Arizona-Mexico Commission (AMC) was formed in 1959 as a forum for social and cultural exchange and economic development. The AMC has assisted with obtaining funding from the Arizona legislature to study efforts to streamline procedures at ports of entry, and in obtaining US$1.5 million to fund transportation projects in the border region.

Baja California Sur. The main cities of Baja California Sur are La Paz and Cabo San Lucas. With a population of only 500,000 inhabitants, tourism and agriculture flourish in this State. The tourism industry has attracted major international hotel chains, such as Sheraton, Hyatt Hotels, and Melia.

The rest of the State is dedicated to agricultural activities, especially to the organic production of vegetables. The under-population of the State is closely related to the absence of sweet water. Important projects to establish water desalinization plants to encourage growth in the State's main municipalities may continue under the new governor.

Northeastern Region

The northeastern region includes the seven northeastern states of Mexico: Chihuahua, Coahuila, Zacatecas, Durango, San Luis Potosi, Tamaulipas and Nuevo Leon. The principal cities in this territory are the border cities Cd. Juarez, Nuevo Laredo, Reynosa, and Matamoros, and further south, Chihuahua, Durango, Torreon, Saltillo, Monclova, Zacatecas, San Luis Potosi, Tampico, Cd. Victoria, and Monterrey. Monterrey, Mexico's third largest city (population 3.9 million), is home to 10 families who are estimated to control 60 percent of Mexico's industrial base and 45 percent of its banking assets. The Monterrey Technological Institute, which was created by one of the leading families, educates engineers and business people in Mexico and throughout Latin America. The Monterrey Technological Institute is Mexico's leading university in technological and industrial development.

Mining. Extensive mining activities are located in the states of Durango (gold, silver and iron), Chihuahua (gold and silver), Coahuila (coal), and Zacatecas (gold, silver, lead, mercury). Inorganic chemicals for cement production are found in the state of Nuevo Leon, which is the headquarters of one of the world's largest cement companies, CEMEX.

Steel. The states of Nuevo Leon and Coahuila are home to Mexico's largest steel companies; these produce 65percent of Mexico's melted steel. The most promising products for U.S. suppliers to this industry are hot metal transfer cranes, motorized transfer cars, lathes, crushers, feeders, conveyors, pre-heaters, coolers, pickling machines, belting for machinery, furnaces, and electric vibrators.

Automotive Parts. Monterrey, Saltillo and Monclova are automotive parts manufacturing centers. General Motors and Chrysler assembly plants are located in the Saltillo area. Cast iron motor blocks are produced in Saltillo, Monclova and Monterrey. Aluminum heads and blocks are produced in Monterrey (Nemak) and Monclova (Teksid, who produce Fiat and Renault aluminum engines). Motor parts such as chassis, brake parts, axles, trailers, pistons, turbochargers, piston rings, carburetor parts, and wheels for trucks and light trucks, are produced in the Monterrey area.

Petrochemicals. The area surrounding the port of Tampico has become the largest petrochemical production sector of Mexico. Large companies such as Dupont and Alpek have initiated operations in the area of Altamira, near the port of Tampico.

Textiles. Monterrey accounts for 60 percent of the total Mexican production of synthetic fibers, but only 5.2 percent in the textile manufacturing sector. CYDSA and AKRA/Nylon de Mexico are the principal companies in this sector. Several textile in-bond plants such as Hanes, Nina Bruni, Sara Lee and Dublinares Mexico are located in Nuevo Leon, and many others in the states of Coahuila, San Luis Potosi, and Tamaulipas.

Texas Border Region. The Texas border region includes the cities of Juarez, Matamoros, Reynosa and Nuevo Laredo. This is an active industrial, agricultural, in-bond manufacturing, and tourist area. With the current push to increase exports, the quality of products must meet international standards. Thus, these centers and their maquiladora in-bond operations represent an important market for United States raw, semi-processed materials and components.

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

Mexico is a member of most international organizations regulating the protection of intellectual property rights (IPR).

The Mexican government strengthened its domestic legal framework for protecting intellectual property with the promulgation of a new industrial property law (patents and trademarks) in 1991 and a new copyright law in 1997. These laws extend product patent protection to nearly all processes and products, including chemicals, alloys, pharmaceutical, biotechnology and plant varieties; extend the term of patent protection from fourteen to twenty years from the date of filing; and substantially increase protection for several types of copyrighted material. Trademarks are granted for ten-year renewable periods. A wide range of criminal, administrative and civil remedies are available for intellectual property rights violations.

The Mexican Institute for Industrial Property (IMPI) is the Mexican government entity responsible for patent, trademark and some copyright enforcement. The new copyright law creates a parallel agency, the Mexican Copyright Institute, which aids IMPI in the enforcement of copyrights.

Mexico is actively seeking to enforce its intellectual property laws and has seized and destroyed millions of dollars worth of pirated merchandise. This enforcement has affected street vendors, but not produced indictments or prosecutions of large-scale pirates. Mexican government representatives meet regularly with their U.S. counterparts to increase bilateral enforcement. Despite these efforts, very high levels of piracy continue. The United States Trade Representative (USTR) noted Mexico’s difficulties with enforcement in this year’s Special 301 Review.

MARKETING FOOD AND AGRICULTURAL PRODUCTS IN MEXICO

The Agricultural Trade Office (ATO) serves as the U.S. Department of Agriculture’s marketing arm in Mexico. The ATO offers U.S. exporters of agricultural products a modern facility outside of the U.S. Embassy. The ATO includes a large conference room, demonstration kitchen, library, and visitor office. This complex is also home to nine industry cooperator groups. Cooperators represent the marketing interests of their respective U.S. agricultural producer associations in Mexico. The ATO facility provides U.S. exporters a variety of export services, including the organization of trade shows; other in-country marketing promotions; product and sector specific market information; lists of distributors and importers, by product; export counseling; export credit assistance and online information access via Internet.

CHAPTER V
LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

SECTOR RANK: 1

SECTOR NAME: AUTOMOTIVE PARTS AND SUPPLIES

ITA INDUSTRY CODE: APS

NARRATIVE:

The automotive industry experienced 8 percent growth in 1997 and 25 percent growth in 1998. New vehicles sales grew over 20 percent, while production reached a record 1.5 million units in 1998, according to Asociacion Mexicana de Distribuidores de Automoviles (AMDA - the Mexican Association of Automobile Distributors.

Aftermarket autoparts continues to grow at the same pace as the production and sale of new and used automobiles. Domestic production supplies over 65 percent of total demand for aftermarket auto parts and components. Mexico is strong in the production of engine and brake parts, oils and lubricants, and some electric components, but is weak in supplying accessories, security devices and emissions control components. There are over 1,000 auto parts and accessory manufacturers in Mexico with approximately 400 producers supplying 80 percent of the domestic demand. Foreign investment in the auto parts industry accounts for approximately 40 percent of the total production.

Mexico has been promoting foreign investment in the auto parts sector. Several Canadian, Japanese, Italian, German, and British firms have announced USD 280 million investments in new auto part plants and plant expansion projects scheduled through the year 2000. (Source: INA statistic report)

During 1998, auto part exports totaled USD 7.4 billion which represents an increase of 8 percent compared to 1997. On the other hand, imports amounted USD 16.3 billion, which is an increase of 20 percent compared with 1997. Imports in 1999 are projected to increase 25 percent over 1998. (Source: Industria Nacional de Autopartes, A.C. INA)

Best Sales Prospects:

HS 84099903, pistons and sleeves
HS 84099102, pistons and sleeves larger than 45mm diam.
HS 84099103, balance levers
HS 8409901, yokes and connecting rods
HS 84099104, carburetor parts
HS 8409105, aluminum pistons
HS 84099902, valves, caps and spring assemblies
HS 84099115, upper engine caps
HS 84099913, tappet rods
HS 84099122, air shock absorbers
HS 84099919, lift rods
HS 84082001 and 84089001, compression ignition engines of various sizes as well as all other parts used in the engine and transmission sections of vehicles.
HS 87081099, cylinder and pistons for brake assemblies,
HS 87084002, automatic transmission replacement parts.

DATA TABLES:	1997	1998	1999/e
		(USD BILLIONS)	
Total market size	21.6	28.8	36.0
Total local production	8.7	10.9	13.1
Total exports	5.9	7.4	8.9
Total imports	14.7	16.3	17.6
Imports from the U.S.	9.5	10.6	11.4

Source: INSA Statistical Report. Estimated figures based on previous reports and percentage growth.

SECTOR RANK: 2

SECTOR NAME: BUILDING PRODUCTS

ITA INDUSTRY CODE: BLD

NARRATIVE:

U.S exports of building products to Mexico reached US$618 million in 1998 and are expected to increase 15 percent during 1999 to US$711 million. The total market size for building products in Mexico was over US$6.6 billion in 1998. The market is expected to increase 5 percent in 1999.

The Mexican construction industry grew 4.6 percent during 1998 and is expected to grow 9 percent in 1999. Mexican construction companies are slated to build over 300,000 low and middle-income homes, over 3,000 hotel rooms, 20 private hospitals, 100 movie theaters, and 2 large convention centers during the next two years. This will generate a greater demand for imported building products. The large construction companies and private sector investors will procure more building materials for the modernization of airports, railroads, and ports.

U.S manufacturers of building materials captured a 68 percent share of the import market in 1998, but should increase this figure to 70 percent by the end of 1999.

Third country imports have come primarily from Spain, Canada, France, and Japan.

The following sub-sectors will offer good opportunities to U.S. companies:

- Aluminum and vinyl windows and patio doors
- Bath and sanitary ware
- Composite wood
- Electrical fixtures
- Plumbing and welding products
- Wood windows and doors
- Elevators
- Electric ladders

DATA TABLE:

	1997	1998	1999/e
		(USD MILLIONS)	
a. Total market size	6,887.7	6,605.0	6,930.6
b. Total local production	8,571.8	8,670.5	9,104.1
c. Total exports	2,436.7	2,980.5	3,189.2
d. Total imports	752.6	915.0	1,015.7
e. Imports from the U.S.	519.7	618.0	710.7

Source of information: BANOMEX – Mexican Import/Export Statistics, January-December 1998. The figures for 1999 are estimated based on input from the Mexican Chamber of the Construction Industry (CMIC), private construction companies, wholesalers of building materials and Mexican government officials.

SECTOR RANK: 3

NAME OF SECTOR: FRANCHISING

ITA INDUSTRY CODE: FRA

NARRATIVE:

The franchise concept has made a significant contribution to Mexico's economic growth by helping to create firms providing world-class goods and services. The introduction of this type of business ten years ago was tied to Mexico's trade opening and its increasing participation in the global economy. When the system was introduced to Mexico in 1989, there were about 80 franchise companies. Today, there are more than 450 franchises operating in Mexico, with 17,000 sales outlets nationwide. In 1996, a thousand new sales outlets were opened; 1,250 opened in 1997, and approximately 1,600 in 1998. Mexico has been considered among the top ten countries in franchise development.
There are 40 different types of franchise businesses in Mexico, and the fastest growing franchises are directed to the service field which currently accounts for 36 percent of the market. Particularly popular are business service firms, advertising agencies, financial consulting, printing and publishing, temporary job services, training centers, janitor/maid services, and automotive services. The food sector accounts for 23 percent of the market. Of the franchises operating in the country, 75 percent are located in Mexico City and the surrounding metropolitan area, 11 percent are in northeastern Mexico, 5 percent are located in the western states and 9 are in the rest of the country.

The Mexican Franchise Association estimated a US$180 million dollar investment in franchises in 1997 and forsees another US$600 million by the year 2000. The number of home-grown Mexican franchises have increased since 1993 and now account for 58 percent of the market. Mexican franchises, the majority in the local cuisine segment of the fast food market, are growing because of the efficiency of their distribution systems as well as by the technical support of the franchisors.

The most promising sub-sectors include:

- Non-traditional financial services
- Automotive services (maintenance and car wash)
- Cleaning services
- Education and training services

DATA TABLE:

	1997	1998	1999/e
	(USD MILLIONS)		
a. Total sales	5,062.4	6,012.1	6,793.7
b. Sales by local firms	3,083.3	3,591.6	4,168.6
c. Foreign sales by local firms	96.5	104.6	160.5
d. Sales by Foreign-owned Firms	2,075.6	2,525.1	2,785.4

e. Sales by U.S.-owned firms	1,853.6	2,044.1	2,377.8

Source: Estimated figures from the Mexican Franchise Association, July 1999

SECTOR RANK: 4

SECTOR NAME: TELECOMMUNICATIONS EQUIPMENT AND SERVICES

ITA INDUSTRY CODE: TEL

NARRATIVE:

The Mexican telecommunications market has grown very rapidly in the past eight years, and the size of the combined market for equipment and services is estimated to exceed US$3.5 billion yearly over the next three years. The potential of the Mexican market is reflected by telephone density -- according to the Federal Telecommunications Commission, Mexico has a 10 percent penetration of telephone lines and a 3.5 percent penetration of cellular users. To meet demand, more than US$15 billion is currently being invested (between 1996 and the year 2000) in the areas of local telephony, cellular and PCS, public telephony, paging, trunking, cable TV, satellite services and long distance.

The United States is the largest single supplier of telecommunications equipment to Mexico with U.S. exports to Mexico growing 48 percent in 1998 compared to 27 percent the previous year. The U.S. share of Mexican imports was 68 percent in 1997 and reached 74 percent in 1998. Industry sources estimate the U.S. will maintain its share of the import market with wireless equipment offering the best opportunities. The market for wireless equipment imports grew 76 percent in 1998.

U.S. products have several advantages over other countries: Geographical proximity allows shorter delivery times and lower transportation costs; U.S. manufacturers are considered to have a technological edge; and NAFTA has reduced import duties on U.S. telecommunications equipment exports to Mexico. Major competitors for the U.S. are Canada, Germany, Japan, and Sweden.

The most promising sub sectors are:

Wireless equipment
Market size: US$856 million
1998 growth: 76 percent
U.S. market share: 81 percent

Central telephone switches
Market size: US$111 million

1998 growth: 400 percent
U.S. average market share: 78 percent
(In some specific equipment the U.S. share can be as high as 95 percent.)

DATA TABLE (FOR EQUIPMENT):

	1997	1998	1999/e
	(USD MILLIONS)		
Total market size	NA	NA	NA
Total local production	NA	NA	NA
Total exports	133.0	151.0	209.5
Total imports	1,256.8	1,644.7	1,742.1
Imports from the U.S.	714.8	1,061.5	1,080.1

The above statistics are unofficial estimates.

SECTOR RANK: 5

SECTOR NAME: COMPUTERS & PERIPHERALS

ITA INDUSTRY CODE: CPT

NARRATIVE:

The Information Technology (IT) market is expanding rapidly and has recently grown faster than in the U.S. or Europe. This is mostly due to the lower level of technology penetration when compared to more developed markets, but Mexico also has shown the fastest growth in all of Latin America. While the Mexican market is generally considered to be averse to major changes with respect to information systems -- preferring to work with existing systems rather than introduce new ones -- current growth reflects the need for constant upgrades and changes in corporate applications. Some examples include the growing concern for Y2K compliance and the growth of the internet (which currently represents 10 percent of the total sales).

In 1998, the installed base of personal computers in Mexico was estimated at 4.2 million units. In terms of volume, the number of computers sold in Mexico in 1998 increased 22.8 percent to one million units; however, fierce competition continues to lower computer prices, and annual sales for 1998 were estimated as being only 8.3 percent higher than in 1997. Much of the increase in sales volume reflects the growing demand for home computers. While demand for IT products by medium and large firms remains constant, Mexican corporations on average designate only one percent of their net income to information technologies. Most small companies in Mexico have very limited budgets for computer equipment.

Although PC clone sales have increased significantly, Mexican consumers still tend to prefer recognized major brands such as Compaq, IBM, HP and Acer, with sales of these amounting to more than 60 percent of the market. U.S. manufactured computer peripheral equipment is perceived as being of the highest quality, and also has a reputation for innovation and reliability. Since most large IT companies now manufacture or assemble in Mexico, however, local production of peripherals now exceeds imports. The highest demand in the computer peripheral market is for telecom devices, such as modems and routers, multimedia devices, and information appliances, such as laptops, notebooks and handhelds. Competition for U.S. products in this sub-market, especially for information appliances, comes mainly from Japan, Taiwan, Singapore, Malaysia and Korea.

The most promising subsectors are:

- Portable computers and handhelds
- Multi-user systems, including servers
- Single user multimedia PC systems

DATA TABLE:

	1997	1998	1999/e
	(USD MILLIONS)		
a. Total market size	3,190.6	4,070.8	4,649.7
b. Total local production	2,000.4	2,902.9	3,541.5
c. Total exports	190.9	165.1	134.1
d. Total imports	1,381.2	1,333.0	1,242.3
e. Imports from the U.S.	852.6	916.5	870.7

Source: Imports/Exports – The World Trade Atlas, Bancomext
Local Production – INEGI (Statistics National Institute, Monthly Industrial Survey)

SECTOR RANK: 6

SECTOR NAME: POLLUTION CONTROL EQUIPMENT

ITA INDUSTRY CODE: POL

NARRATIVE:

U.S. exports to Mexico of equipment and technology to deal with air pollution, solid waste, industrial waste, medical waste, and remediation are expected to grow 11.0 percent in 1999, increasing from US$710.5 million in 1998 to US$788.7 million by the end of 1999.

The total market size for pollution control equipment in Mexico was more than US$1.6 billion in 1998, and will likely increase 8 percent by the end of 1999, reaching US$1.7 billion. Mexico still lacks the necessary equipment to monitor mobile and fixed waste sources and to implement programs to reduce the air pollution in mid-sized industrialized cities such as Guadalajara, Jalapa, Villahermosa, Monterrey, Leon, Toluca, Salamanca, Naucalpan, Tlalnepantla, and the rapidly growing border cities. The state of Veracruz has budgeted US$2 million to operate 13 stations to monitor waste in its seven major cities. The city of Salamanca, in the state of Guanajuato, is also looking for technologies to reduce industrial air emissions and has a budget in 1999 of over US$2 million.

The World Bank has included Mexico City in the Clean Air Initiative for Latin American Cities, a program that will feature workshops to develop action plans for transport-related air pollution in several larger, urban areas and to implement specifically funded programs in the years 2000-2010.

In 1998 the U.S. had 73 percent of the import market share; this is expected to increase slightly by the end of 1999.

Third country imports come from Japan, Germany, Canada and France.

The most promising sub-sectors for the next two years are:

- Air emissions monitoring systems
- Dust collectors
- Hazardous and toxic waste transportation equipment
- Autoclaves for medical waste
- Solid waste transportation equipment
- Vapor recovery systems
- Bio remediation technology
- Compressed gas equipment for vehicles
- Compressed gas storage tanks and distribution equipment for gas stations

DATA TABLE:

	1997	1998	1999/e
		(USD MILLIONS)	
a. Total market size	1,721.8	1,639.5	1,765.1
b. Total local production	1,135.4	1,160.0	1,218.0

c. Total exports	294.9	490.5	519.9
d. Total imports	881.3	970.0	1,067.0
e. Imports from the U.S.	600.1	710.5	788.7

Source of information: BANOMEX – Mexican Import/Export Statistics, January-December 1998. The figures for 1999 are estimated based on input from CONIECO (Mexico's most prominent chamber of environmental technology manufacturers and consultants), ANIMA (National Association of Environmental Industries), the National Institute of Ecology (INE), PEMEX and the Mexico City Government.

SECTOR RANK: 7

SECTOR NAME: WATER RESOURCES EQUIPMENT AND SERVICES

ITA INDUSTRY CODE: WRE

NARRATIVE:

This US$1.9 billion market encompasses the needs of urban and rural areas for the supply of drinking water, purification equipment, and irrigation equipment. It is estimated that this market will grow to US$2.1 billion by the end of 1999. U.S. exports were US$1.1 billion in 1998 and are expected to grow 11 percent in 1999.

For the past four years Mexico has been experiencing intractable water quality problems and shortages in major urban cities. In addition, Mexico has experienced drought conditions in the major agricultural production states of Chihuahua, Queretaro, Sonora, Sinaloa, and Zacatecas. In fact, the Central Government declared a state of emergency due to lack of storage capacity and irrigation equipment to utilize the reduced water supplies.

The National Water Commission (CAN), with a budget of US$799 million, seeks to increase the installed capacity to distribute potable water in rural areas by 10 percent and in urban areas by 2 percent during the next two years. In 1998 there was a total of 500 private companies in the bottled drinking water industry. The number is expected to rise by the year 2000, to 700. The need for new equipment to meet the growing demand for bottled drinking water will rise accordingly.

The U.S. had a 73 percent share of the total import market in

1998, which should increase slightly in 1999. Third country imports come mainly from Japan, Germany, France, and Canada.

The most promising sub-sectors:

- Chlorinators
- Chlorine diffusers
- Chlorine contact chambers
- Cyclone/grit wash units
- Desalination equipment
- Irrigation equipment
- Mixed sludge pumps
- Primary clarifiers
- PVC pipe
- Water meters
- Water filtration equipment
- Water pumps
- Water supply and distribution systems
- Sprinkling systems
- Design and engineering services

DATA TABLE:	1997	1998 (USD MILLIONS)	1999/e
a. Total market size	1,790.8	1,953.7	2,149.6
b. Total local production	823.3	880.9	960.2
c. Total exports	429.5	463.9	501.0
d. Total imports	1,397.0	1,536.7	1,243.5

Source of information: BANOMEX – Mexican Import/Export Statistics, January-December 1998. The figures for 1999 are estimated based on input from CONIECO (Mexico's most important chamber of environmental technology manufacturers and consultants), ANIMA (National Association of Environmental Industries), CAN and other public and private sector information.

SECTOR RANK: 8

SECTOR NAME: FOOD PROCESSING AND PACKAGING EQUIPMENT

ITA INDUSTRY CODE: FPP

NARRATIVE:

Total market for food processing and packaging equipment including parts, was USD 3.1 billion in 1999, up 12 percent from USD 2.8 billion in 1998. In 2000, the market is once again expected to grow 12 percent, to USD 3.6 billion. This increase was due to the continuous growth in imports resulting from an overall increase in demand of processed foods and beverages.

Food distribution practices have changed in the last few years, from small grocery corner stores or open markets to large grocery stores, similar to those in the United States.

To comply with the change and the increase in demand for processed and packaged foods, Mexican manufacturers had to modernize their equipment, and purchase advanced technology in processing and packaging equipment.

Plastic packaging is also increasing in niche markets that in prior years were non-existent. After many years, plastic packages have achieved multiple uses. Food packagers that traditionally packed food products in metal cans are exploring the possibility of plastic cans for use in microwave ovens. The Asociacion Mexicana de Envase y Embalaje (Process Packaging Association) estimated that the growth of plastic consumption in Mexico will be 24 percent in 1999.

The largest sector in the beverage industry is soft drinks and non-alcoholic beverages. This sector is subdivided into 65.9 percent cola drinks; 3.2 percent fruit-flavored drinks; 20.0 percent juices and nectars; and 0.2 percent other. The USD 350 million plastic beverage container market controls over 50 percent of the beverage container market and is growing 20 percent per year. The most important consumer of PET is the soft drink bottling industry that produces 8 million bottles per year. PET market demand is expected to continue to grow in 2000.

The Mexican food and beverage industry represents 24.8 percent of the GDP of the manufacturing sector and 4.7 percent of the overall GDP. This indicates that it is an important sector in the Mexican economy.

The most commonly equipment, representing some of the best sales prospects, are:

8414.10 Vacuum Pumps
8418.69 Peelers
8419.30 Compressors
8419.89 Cooling tanks, evaporators, pasteurizes
8434.50 Meat Processing Equipment
8438.50 Meat mixers
8509.40 Grinders
8516.60 Ovens

6203.22 Massagers

DATA TABLES:	1997	1998	1999/e
	(USD BILLIONS)		
a. Total market size	1.40	2.80	3.20
b. Total local production	0.17	0.21	0.23
c. Total exports	0.16	0.19	0.21
d. Total Imports	1.16	1.29	1.44
e. Imports from the U.S.	0.40	0.45	0.49

The above statistics are unofficial estimates.

SECTOR RANK: 9

SECTOR NAME: SECURITY AND SAFETY EQUIPMENT

ITA INDUSTRY CODE: SEC

NARRATIVE:

On August 26, 1999, President Zedillo announced an aggressive restructuring of the public security program, in response to widespread discontent with public security. This program will generate new procurement of public and private security equipment, with demand expected to rise by 50 to 60 percent during the next three years. The Mexican government budget allocated for new security systems for 1999 totals USD$869 million.

Some sub-sectors may grow 100 percent or more. These include surveillance and electronic protection systems. In the opinion of experts, the security system sub-segment will grow around 70 to 80 percent within 1999, especially for equipment to secure cars, buildings, factories and offices.

Local production is concentrated in fencing and other security barriers, and armoring (armored vehicles, primarily). Mexican facilities now are doing armoring to levels IV and V.

The most promising subsectors include:

Security Locks
Burglary/Fire Alarms
Optical Scanners
Card Key & Magnetic Entry Devices
Private Security Services

DATA TABLE:	1997	1998	1999/e
		(USD MILLIONS)	
a. Total market size	729.1	902.0	1,600.0
b. Total local production	552.7	801.1	1,567.2
c. Total exports	165.8	241.4	232.5
d. Total imports	342.2	342.2	265.3
e. Imports from the U.S.	143.9	143.9	209.0

Sources: Mexican Import/Export Statistics (World Trade Atlas), Banco Mexicano de Comercio Exterior (BANCOMEXT), and El Economista, June 2, 1998 (Newspaper).

SECTOR RANK: 10

SECTOR NAME: ELECTRONIC COMPONENTS

ITA INDUSTRY CODE: ELC

NARRATIVE:

The electronics industry continues to experience rapid growth -—an estimated 17 percent for 1998 and 1999. There is very little local manufacturing of electronic components -— over 90 percent are imported, 85 percent from the U.S. Most go to maquiladora plants, whose production is exported.

Products manufactured in Mexico which require electronic components include portable computers, desktop computers, printers, telephones, cellular phones, answering machines, pagers, television sets, VCRs, CD players, single-use cameras, film, photo CDs, software, radios, medical equipment, computerized auto parts, automotive electronic circuits, power supplies, mother boards, PC boards, subassemblies, coils, cables, wire harnesses, computer keyboards and PC boards.

The dynamic growth of electronics production offers excellent opportunities for U.S. suppliers. Integrated circuits and subassemblies and printed circuits offer most sales potential; other good prospects include transistors, connectors, ceramic capacitors, relays, circuit breakers/switches, computer speakers, antennas, anti-static products, cables and harnesses, supplies for clean rooms, packaging material, manufacturing hand tools, computer rubber parts, metal parts and resistors.

New opportunities for providing services to the electronics industry abound. Examples include recruitment of personnel, ISO 9000 certification services, laboratory calibrations, translation and production of manuals, design of manufacturing facilities, design of new electronics products, transportation services for employees, cleaning services, etc.

Although the U.S. currently accounts for the lion's share of imports, there is some competition from Japan, Taiwan, South Korea, Singapore, China, Malaysia and France.

Due to the special nature of the electronics industry in Mexico (i.e. most inputs are for maquiladoras), we are including two data tables.

DATA TABLE #1: IMPORTS FOR DOMESTIC CONSUMPTION

	1997	1998/e	1999/e
		(USD MILLIONS)	
a. Total market size	11528.68	13488.56	15781.61
b. Total local production	870.09	1018.00	1191.06
c. Total exports	217.52	254.50	297.76
d. Total imports **	10876.12	12725.06	14888.32
e. Imports from the U.S**	8692.99	10170.79	11899.82

DATA TABLE #2: ALL IMPORTS

	1997	1998/e	1999/e
		(USD MILLIONS)	
a. Total market size	11528.68	13488.56	15781.61
b. Total local production	870.09	1018.00	1191.06
c. Total exports	217.52	254.50	297.76
d. Total imports**	10876.12	12725.06	14888.32
e. Imports from the US.**	8692.99	10170.79	11899.82

**Includes maquiladora, temporary imports and imports for domestic consumption.

Sources: Total Imports, Imports from the U.S. and Total Exports were obtained from DATACOMEX (Banomex's Import/Export statistics of December, 1997 and from data provided by CANIETI (National Electronics, Computer and Telecommunications Industries Chamber) and SECOFI (Secretariat of Commerce and Industrial Development. Figures for 1998-1999 are estimates based on information provided by CANIETI, SECOFI and other industry experts. All local production is estimated, as no data is available. The above statistics are unofficial estimates.

SECTOR RANK: 11

SECTOR NAME: PLASTIC PRODUCTION MACHINERY

ITA INDUSTRY CODE: PME

NARRATIVE:

The Mexican market for plastic production machinery is expected to grow at an average annual rate of 15 percent during 1999-2001. Imports of this type of machinery account for approximately 95 percent of the total market. American manufacturers of plastic production machinery are the largest suppliers to Mexican end-users, accounting for approximately 46 percent of the total market.

The substitution of plastic for metal parts in various products is the driving force behind growth in this market. In addition, the substitution of plastic for glass, mainly in the packaging and food industries, is contributing to the growing demand for plastics production machinery. Other industries are also increasingly using plastic products. For example, the construction industry is using more plastic products in buildings and houses.

There are some 2,250 manufacturers of plastic products in Mexico. Approximately 1,360 of them use injection machinery, 325 use blow molding machinery, 245 use extrusion machinery, and the remaining 320 use some combination of these three types of machinery.

Domestic manufacturers of plastic production machinery account for almost seven percent of the total market. Traditionally they have been weak because they use old technology and their machinery is not as efficient. Nevertheless, they offer low prices to end-users.

Producers of packaging materials, automotive parts and accessories, electrical consumer goods, electronics, toys, and office suppliers are the largest end-users of plastic production machinery.

The most promising subsectors are:

Injection Molding Machines
Blow Molding Machines

DATA TABLE:	1997	1998	1999/e
	(USD MILLIONS)		
a. Total Market Size	860.0	1,126.1	1,257.7
b. Total Local Production	69.7	73.2	76.9
c. Total Exports	15.5	16.8	17.3
d. Total Imports	805.8	1,069.7	1,198.1
e. Imports from the U.S.A.	381.0	515.3	556.5

Source: Industry sources.

SECTOR RANK: 12

SECTOR NAME: AVIATION MANAGEMENT CONSULTING SERVICES

ITA INDUSTRY CODE: AHS

NARRATIVE:

The Mexican government has continued the privatization of 35 airports. The construction firm Tribasa and its partner, the Copenhagen Airport, won the concession for the first group of airports. This group includes the airports at Cancun, Cozumel, Huatulco, Merida, Minatitlan, Oaxaca, Tapachula, Villahermosa, and Veracruz.

Currently, the second group of airports is in the process to be privatized. This group includes the airports at Aguascalientes, Bajio (Leon), Guadalajara, Hermosillo, La Paz, Los Mochis, Manzanillo, Mexicali, Morelia, Puerto Vallarta, San Jose del Cabo, and Tijuana.

The new operators are expected to contract aviation management consulting services for approximately US$348.5 million in 1999. In 1999, American consultants are expected to receive contracts for US$169.7 million. Domestic consulting focuses on airport security, rather than on airport operations or other aspects.

The Secretariat of Communication and Transports (Secretaría de Comunicaciones y Transportes - SCT) expects that before the end of the year it will announce the site selected to build the new Mexico City International Airport. The SCT has expressed interest in including this new airport in the concession for the current Mexico City airport. If this is the case, the need for additional aviation management consulting services will increase.

A key factor for American firms seeking to obtain contracts for consultant services is to contact the Mexican firms that are interested in participating in the privatization process. Also, American firms that offer aviation management consulting services may be interested in forming joint ventures with Mexican firms thus facilitating the access to decision-makers.

The most promising sub-sectors are:

Airport Operations
Airport Security
Cargo Handling

DATA TABLE:	1997	1998	1999/e
	(USD MILLIONS)		
a. Total Market Size	371.9	409.9	459.1
b. Total Local Production	98.9	106.8	115.3
c. Total Exports	5.1	6.7	4.7
d. Total Imports	278.1	309.8	348.5
e. Imports from the U.S.A.	133.9	147.2	169.7

Source: Industry sources

SECTOR RANK: 13

SECTOR NAMES: OIL & GAS FIELD MACHINERY & SERVICES

ITA INDUSTRY CODE: OGM

NARRATIVE:

This market includes pump, valves, compressors, drilling, automation equipment and metering systems for the oil and gas industry. It reached a total of US$241.8 million in 1998 in Mexico and is expected to reach US$299.3 million in 1999. The projected market growth of 24 percent in 1999 is driven by PEMEX's budget of US$7.8 billion and the concessions to private companies to transport and distribute natural gas.

PEMEX, the government-owned petroleum monopoly, plans to begin reconfiguring the Ciudad Madero, Salamanca and Tula refineries in 1999. They are also set to invest in new exploration and production of oil and to continue the Burgos project to increase the production of natural gas. This development and modernization of the petroleum and gas industry will demand an increasing number of pumps, valves, compressors, automation and drilling equipment among other products that local companies do not manufacture.

The U.S. had a healthy 88 percent of the import market share in 1998 which will likely edge up to 89 percent in 1999. Third country imports come mostly from Japan, Germany, Great Britain and Canada.

The most promising sub-sectors are:

- Pumps
- Valves
- Compressors
- Drilling Equipment
- Flow Measuring Equipment
- PVC Pipe
- Automation Equipment
- Gas and Oil Leak Detection Equipment
- Design and Engineering Services
- Governor Controls and Systems

DATA TABLE:

	1997	1998	1999/e
		(USD MILLIONS)	
a. Total Market Size	200.0	241.8	299.3
b. Total Local Production	120.0	136.8	153.2
c. Total Exports	90.0	99.0	108.9
d. Total Imports	170.0	204.0	255.0
e. Imports from the U.S.	150.0	180.0	226.2

Source of information: BANOMEX – Mexican Import/Export Statistics, January-December 1998. The figures for 1999 are estimated based on input from PEMEX officials, petroleum engineers and private company sectors involved in modernizing refineries and/or holding concessions to distribute or transport natural gas.

SECTOR RANK: 14

SECTOR NAME: PUMPS, VALVE AND COMPRESSORS

ITA INDSUTRY CODE: PVC

NARRATIVE:

In 1999, the Mexican market for pumps, valves and compressors is expected to total USD 885.5 million with growth for 2000 projected at 12 percent. Valve and pump imports from the U.S. accounted for USD 542 million in 1998. This increase was due to the rapid economic growth and to Mexico's technical preference for U.S. pumps, valves and compressors.

The increasing demand for U.S. pumps and valves is due to growth in Mexico's petrochemical, chemical, food processing, water treatment, plastics and automotive markets.

Best sales prospects include:

Pressure valves
Gas valves
Actuators
Pneumatic valves
Hydraulic valves
Refrigeration compressors
Automatic valves
Gas compressors
Regulating liquid valves
Compressors
Check valves
Air compressors
Relief valves
Vacuum pumps
Rotary valves
Heating valves
Automatic valves

DATA TABLE:

	1997	1998	1999/e
		(USD MILLIONS)	

a. Import market	766	871	975
b. Local Production	220	250	280
c. Exports	144	164	188
d. Total Market	685	778	885
e. Imports from U.S.	477	542	607

Data from industry sources; unofficial estimates

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

NAME OF SECTOR - SOYBEANS

Due to proximity, product availability, credit and preferential NAFTA access (Oct. 1- Dec. 31), the United States supplies practically all of Mexico's import requirements for soybeans. Despite Mexico's current economic uncertainties and related government budget cuts, Mexico's crushing industry continues to expect growth and increased oilseeds imports, primarily from the United States. This is largely fueled by the livestock industry's ongoing expansion. Consequently, we forecast a three-percent annual increase in soybean imports, given existing end-use trends. In addition, we believe there is still potential to increase demand through improving end-users' knowledge of the technical advantages of soybean meal in feed rations and through the aggressive promotion of soybean oil, particularly in industrial applications.

	1997	1998	1999e
		(1,000 MT)	
a. Total Market Size	3574	3627	3450
b. Total Local Production	189	143	120
c. Total Exports	0	0	0
d. Total Imports	3385	3484	3500
e. Imports from the U.S.	3385	3209	3300

The above statistics are unofficial estimates.

NAME OF SECTOR - SORGHUM

Due to the sluggish demand for feed grains, sorghum consumption is forecast to increase slightly in 1999. Sorghum consumption growth by the poultry industry will be dampened due to the unfavorable economic conditions. The poultry industry continues to be the major consumer of sorghum in Mexico. This industry is not likely to expand as rapidly in 1999 as in the previous year due to the weak GDP growth and deteriorated consumer purchasing power. Domestic production in 1999, however, is forecast to decline slightly due to a switch into higher-priced corn. Consequently, imports are forecast to increase to 2.9 MMT based on needed stock-building. Given that the United States is the main supplier of sorghum to Mexico, this could represent a significant export opportunity for the U.S. sorghum industry.

	1997	1998	1999e
		(1,000 MT)	
a. Total Market Size	8495	9150	9100
b. Total Local Production	5341	6450	6200
c. Total Exports	0	0	0
d. Total Imports	3154	2700	2900
e. Imports from the U.S.	3154	2700	2900

The above statistics are unofficial estimates.

NAME OF SECTOR - NON-FAT DRY MILK

Although Mexico's local milk production is growing due to the Mexican Government's price liberalization, domestic demand is still expected to exceed the availability of local supply. Mexico's fluid milk production will be up in 1999. Nonetheless, imports of milk powder will remain stable in the near-term for both the government and the private sector. NFDM imports for 1998 were 102,000 MT, 30 percent less than the previous year due to reduced demand by private processors. The U.S. Department of Agriculture forecasts imports in 1999 to reach 130,000 MT. The Government of Mexico, through LICONSA, will continue to supply subsidized rehydrated milk to low income classes, as in past years. With the closing of CONASUPO, the government's food program agency, LICONSA, will directly conduct its own milk powder imports for its social programs. All other milk powder imports will likely be allocated to traditional private sector users through a permit auction system. The first intent at these new procedures were officially published in the Diario Oficial (Federal Register) dated June 8, 1999.

	1997	1998	1999e
		(1,000 MT)	
a. Total Market Size	301	306	310

b. Total Local Production	127	118	120
c. Total Exports	0	0	0
d. Total Imports	133	102	130
e. Imports from U.S.	7	37	30

The above statistics are unofficial estimates.

NAME OF SECTOR - BOVINE MEAT

Mexican cattle inventories are expected to decline slightly in 1999, due largely to a lower calf crop and high slaughter rates reflecting continued drought conditions in several northern regions of Mexico. Domestic beef cattle production is expected to decline as cattlemen are discouraged by low profitability, significant imports, and a large number of overdue loans. Domestic beef consumption is expected to continue at high levels in 1999 due to competitive prices of imported beef from the United States, but less than 1998's record level. In 1998, boxed beef imports from the United States increased as a result of lower prices and insufficient domestic production. Trade sources estimate that total beef imports from the United States will include ninety percent boxed beef and ten percent beef carcasses. Mexican imports of non-U.S. beef continue to be very limited due to high import duties placed on non-NAFTA countries.

	1997	1998	1999e
		(1,000 MT)	
a. Total Market Size	1994	2025	2100
b. Total Local Production	1800	1800	1900
c. Total Exports	0	0	0
d. Total Imports	194	225	200
e. Imports from the U.S.	190	220	195

The above statistics are unofficial estimates.

NAME OF SECTOR - CORN

Due to proximity, year-round availability, credit and preferential NAFTA access, the United States supplies all of Mexico's import requirements for corn. Within the context of Mexico's NAFTA TRQ, for example, the starch, poultry, and livestock industries import most of their corn needs because they prefer yellow corn and the majority of domestic production is white corn. The poultry industry is the major consumer of feed corn and sorghum, and the outlook for this sector, although still positive, is lower than previously estimated -- poultry meat production is forecast to increase 3 percent during 1999. Mexico over the long term will remain a substantial importer of corn from the United States. Any increases in corn production are unlikely to keep pace with demand. In addition, given the importance that timely rains play in Mexican agricultural production, wide swings can be expected in year-to-year imports. It is unlikely that Mexico will import any corn from sources other then the United States. The 1999 import quota for U.S. corn is 2.898 MMT and will be administered as before with the Mexican Government allocating quotas to importers and industry.

	1997	1998 (1,000 MT)	1999e
a. Total Market Size	208362161022870		
b. Total Local Production	169341808518500		
c. Total Exports	308	80	80
d. Total Imports	4210	4500	3900
e. Imports from U.S.	4210	4500	3900

The above statistics are unofficial estimates.

NAME OF SECTOR - COTTON

Led by Mexico's growing textile industry, increased demand is forecast to outpace domestic supplies, thereby creating opportunities for U.S. cotton exporters. Compared to 1998, Mexico is expected to import 14 percent more cotton, mainly from the United States, as domestic production is expected to decrease by 30 percent due to poor international prices and lack of government support. At the same time, for 1999, Mexican cotton consumption is expected to increase approximately 4.5 percent. Although cotton demand is still up and driving the expansion of the textile industry, the growth rate is expected to slow in 1999. The modernization of the textile industry has continued along with the boom in Mexican textile exports. In 1998, for example, clothing and textile exports showed an increase of 12.6 percent from 1997. Data from the National Textile Industry Chamber (CANAITEX) reflect the outstanding progress that the Mexican textile industry has made despite the current economic problems. Over the past five years, for example, the Mexican textile industry has invested over US$1.7 billion in modernization and expansion, with US$660 million in 1998 alone. Moreover, CANAITEX indicates that in 1998 textile machinery and equipment imports increased again (10 percent) compared to 1997, mainly by companies that are exporting to the United States. Most of these companies are vertically integrated. They produce their own fiber, manufacture woven fabrics and do their own bleaching, dying, printing and other finishing. Mexican mills are working at almost 100 percent capacity, according to CANAITEX.

	1997	1998	1999e
		(METRIC TONS)	
a. Total Market Size	432215	475755	494040
b. Total Local Production	214169	217727	148036
c. Total Exports	68206	47894	39186
d. Total Imports	322175	315704	359205
e. Imports from U.S.	303211	297121	338061

The above statistics are unofficial estimates.

NAME OF SECTOR - WHEAT

Total Mexican wheat production for marketing year 1999/00 (July-June) is expected to reach nearly 3.4 million metric tons due to slightly increased planted area and expected increase in yields. Wheat production for 1998/99 has been less than expected (3.2 million metric tons) due to the dry conditions in the major wheat producing state of Sonora and lower prices paid to producers. Imports are expected to decrease to 1.6 MMT for 1999/00 because of slightly increased domestic wheat production.

With the help of population growth, and ongoing retail-level price controls for basic bread, Mexico's consumption of wheat products is expected to slightly increase in 1999/00. This will also be influenced by higher corn tortilla prices. For 1997/99 and 1998/99, the consumption estimates have been slightly decreased due to dampened consumer purchasing power and Mexicans' general preference for corn tortillas instead of bread. As a result of reduced domestic demand for durum wheat and limited export markets, more durum wheat is being offered for feed use.

	1997	1998	1999e
		(1,000 MT)	
a. Total market size	4330	4851	4900
b. Total Local Production	3639	3220	3365

c. Total Exports	541	100	100
d. Total Imports	1232	1625	1600
e. Imports from U.S.	1000	1300	1300

The above statistics are unofficial estimates.

NAME OF SECTOR - POULTRY MEAT

Mexican poultry meat production for MY 1999 is forecast to increase approximately 3 percent due to low consumer purchasing power caused by the economic slowdown and a high inflation rate. Therefore domestic consumption is also forecast to slow down. Chicken meat demand continues to be income elastic and lower income results in a lower consumption.

The United States has almost 100 percent share of Mexico's import market for poultry meat, but the market is constrained by NAFTA tariff rate quotas (TRQ). However, some TRQ's (whole turkey and poultry) have gone unfilled. Although chicken meat imports for MY 1999 will also be slower, chicken and turkey meat continue to be by far the main poultry products imported by Mexico. Mechanically deboned meat (MDM) imports are expected to exceed total TRQ's in 1999, due in part to the price increases of alternative domestic products such as pork. Demand for low priced MDM as a component for the domestic sausage industry remains strong.

	1997	1998	1999e
	(1,000 MT)		
a. Total Market Size	1811	1917	1976
b. Total Local Production	1615	1695	1740
c. Total Exports	0	0	0
d. Total Imports	196	222	236
e. Imports from the U.S.	196	222	236

The above statistics are unofficial estimates.

NAME OF SECTOR - CATTLE

Due in part to the continued drought in northern Mexico, the principal cattle production region, a reduced calf crop in 1999 is expected due to lower fertility levels. Feedlot placements also have declined because of rising feedstuffs prices. Cattle inventories are not growing not only in the northern regions of Mexico, but also in the central and southern areas. Overdue loans, tight credit and low profitability discourage capitalization and modernization of the cattle and beef sectors. Most of the cattle raised in Mexico continues to be grass-fed. As a result of the current sluggish economic conditions, many cattlemen and feedlot operators can not afford imported feed. Modernization and implementation of state of the art technology is also very limited. Only selected cattlemen, particularly the younger ranchers, are introducing improved herd management practices, such as electric fences, artificial insemination, and new varieties of grasses to increase range land productivity.

Breeding stock and slaughter cattle imports in CY 1998 have been revised downward due to prevailing dry weather conditions and the anticipation of a final decision on the antidumping claim against U.S. cattle and beef exports currently under investigation by the Mexican authorities.

	1997	1998	1999e
		(1,000 HEAD)	
a. Total Market Size	353153427833328		
b. Beginning Stocks	269002562824528		
b. Total Local Production	8100	8400	8500
c. Total Exports	667	500	500
d. Total Imports	315	250	300
e. Imports from the U.S.	315	250	300

The above statistics are unofficial estimates.

NAME OF SECTOR - APPLES (RED AND GOLDEN DELICIOUS)

Mexican apple production for MY 1998 (August/July) is forecast to be lower than the previous marketing year due to the off-season production cycle and frost problems in Chihuahua, Mexico's most important apple producing state. Apple consumption therefore, is expected to be lower for MY 1998 than the previous year, reflecting also a slower economic growth and a high inflation rate.

The United States has historically been Mexico's primary foreign supplier of apples, increasing its share of the import market to 99 percent in 1997. However, U.S. apple exports were hindered by the compensatory import duty of 101 percent for U.S. Red and Golden Delicious apples enforced by the Mexican Government in

September 1997. As a result of the signing of a suspension agreement in March 1998, the United States' apple industry access to Mexico's market was restored. In accordance with this agreement, a minimum FOB price of US$13.72 per standard 42 lb. carton on Red Delicious and Golden Delicious apples has replaced the previously imposed 101 percent preliminary anti-dumping duty. U.S. exporters, however, face stiff price competition from Chilean and Canadian apples, which often come into Mexico at less than the minimum reference price agreed to in the U.S.-Mexico suspension agreement. This creates a challenge for U.S. exporters to increase their market share. Apple imports for MY 1998 are expected to be higher than in 1997.

	1996	1997	1998e
	(METRIC TONS)		
a. Total Market Size	535720	709280	480000
b. Total Production	426720	629280	390000
c. Total Exports	60	1072	86
d. Total Imports	109000	80000	90000
e. Imports from the U.S.	91764	62945	70000

The above statistics are unofficial estimates.

CHAPTER VI
TRADE REGULATIONS AND STANDARDS

TARIFFS AND FEES

With the entry into force of the NAFTA on January 1, 1994, Mexico further lowered its tariffs on U.S. and Canadian origin goods. Mexican tariffs on U.S. goods are between zero and ten percent ad valorem. The highest Mexican tariffs tend to be on agricultural products and finished motor vehicles. Currently, 80 percent of U.S. goods enter Mexico duty-free. Under the NAFTA, tariffs on U.S. goods will be phased out over a 10-year period with a few exceptions on selective products, mostly agricultural commodities, which will be phased out over a 15-year period.

The Import Duty is calculated on the U.S. plant value (invoice) of the product(s) plus the inland U.S. freight charges to the border and any other costs listed separately on the invoice and paid by the importer such as export packing. In addition, a customs processing fee (CPF) of 0.8 percent is assessed on the cumulative value of the transaction as listed above, plus duty paid and the custom broker fee.

Mexico has, in addition, a 15 percent value-added tax (IVA) on most sales transactions, including sales of foreign products. Basic products such as food and drugs (but not processed foods) are exempt from the IVA. The 15 percent Value Added Tax is assessed on the cumulative value of the transaction as listed above plus the duty. The importer will pay other IVA fees for such services as the inland Mexico freight and warehousing. The IVA is recovered at the point of sale.

According to the Mexican customs law, the participation of a customs broker is no longer required. However, use of a customs broker is recommended if the importer is unfamiliar with customs regulations, which are strict.

Where an "arms length" transaction does not exist between seller and importer, such as in intra-company sales or transfers, Mexico applies valuation rules that are compatible with the Brussels Customs Valuation Code. Goods for which the NAFTA preferential tariff treatment is not requested are valued on a C.I.F. basis.

In November, 1992, Mexico published a list of goods (with several subsequent updates) previously susceptible to fraudulent customs under valuation and established a "minimum estimated price" for such goods. Importers of subject goods, including liquor, some apparel, blank cassette and audio recording tapes, disposable diapers, apples, and some household electronics, must pay duties according to the minimum estimated price. If goods are valued lower, importers must post a bond with Mexican Customs to guarantee payment of the difference in tariffs due between the two valuations. Exemptions from this regulation exist for active or highly capitalized importers. This policy is currently the subject of negotiations between the U.S. and Mexican Governments, with the United States claiming it to be a violation of WTO rules.

IMPORT LICENSES

Under the NAFTA, Mexico has abolished its import licensing requirements for most U.S. origin goods. Various agricultural products and finished motor vehicles remain subject to tariff rate quotas. Such tariff rate quotas trigger significantly higher duties after a predetermined quantity threshold of imports is exceeded.

The U.S. and Mexico also negotiated under the NAFTA preferential duty treatment for limited quantities of some non-originating textiles and apparel exported from the U.S. Mexico is obligated to administer the "tariff preference level" and tariff rate quota system by distributing import quotas impartially among Mexican importers.

The NAFTA provides that, for the first ten years of the agreement, Mexico may adopt or maintain prohibitions or restrictions on the importation of certain used goods. These are, primarily, construction machinery and heavy equipment (except when imported temporarily under provisions in the cross-border services chapter of the NAFTA), industrial machinery, electronic data processing equipment, motorcycles, motor homes and campers, and most trailers and tankers (except to transport inbound merchandise).

On June 1, 1998, the Mexican Ministry of Commerce and Industry (SECOFI) made changes to the import license procedures for maquilla operations. Under the new rules, raw materials and transportation equipment can be imported with a temporary import license for a period of two years. Machinery and equipment may remain in Mexico as long as the Maquiladora Program operates. For the year 1998, 75 percent of the maquila production can be sold in the local market, 80 percent during 1999, 85 percent during 2000 and 100 percent starting in the year 2001.

EXPORT CONTROLS

Mexico has few export controls. Exceptions include endangered plants and animals, whether live or products from such plants and animals (Mexico is a signatory of the International Convention on Trade in Endangered Species), logs of all species, archeological pieces, and items deemed to be part of the Mexican national patrimony.

DOCUMENTATION

The basic Mexican import document is the "pedimiento de importacion". This document must be accompanied by a commercial invoice (in Spanish), a bill of lading, documents demonstrating guarantee of payment of additional duties for undervalued goods (see "Customs Valuation") if applicable, and documents demonstrating compliance with Mexican product safety and performance regulations (see "Standards"), if applicable. The import documentation may be prepared and submitted by a licensed Mexican customhouse broker or by an importer with sufficient experience in completing the documents.

Products qualifying as North American must use the NAFTA Certificate of Origin in order to receive preferential treatment. This must be issued by the exporter and does not have to be validated or formalized. Certificate of Origin information is available at fax number 800-USATRADE (800-872-8723) -- select NAFTA Facts, documents 5001-5005.

Some goods may be subject to antidumping duties applied against goods originating in the People's Republic of China. To prove that a good is not Chinese, importers must submit a certificate of origin and provide a sworn statement as to the origin of the merchandise. Beginning in late 1994, certificates covering certain third-country originating textiles apparel and footwear had to be signed and stamped by an official of the exporting country whose signature had been previously registered with the Mexican Trade Secretariat (SECOFI). A Mexican diplomatic representative in that country for goods from non-GATT countries must, in addition, sign the certificates. These provisions will not apply to U.S. origin goods or those goods eligible to be marked as U.S. goods under the NAFTA's marking rules.

Mexican Customs law is very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to ensure that Mexican clients employ competent, reputable Mexican importers or customs house brokers.

STANDARDS, TESTING, LABELING AND CERTIFICATION

The cornerstone of this section is the 1992 Federal Law of Metrology and Standardization (as amended on December 24, 1996 and May 20, 1997), which provides for greater transparency and access by the public and interested parties to the regulation formulation process. Another key document is the regulations to the Federal Law of Metrology published on January 14, 1999. Poorly drafted regulations and inadequate communication between enforcement agencies, such as Customs, have occasionally led to trade disruptions. In some instances, the GOM has been receptive to U.S. concerns and willing to resolve problems.

As a result of the 1992 Law, all mandatory standards had to be reissued as Normas Oficiales Mexicanas (NOMs). As of May 1999, there are over 650 NOMs in effect.

Under NAFTA, Mexico, the United States, and Canada will, to the greatest extent possible, make their standards-related measures compatible. Mexico has also affirmed its WTO (GATT) obligations to use international standards. The extent to which these international standards are compatible with U.S. standards varies by industry sector. Even if Mexican standards are compatible with those of the United States and Canada, companies must show compliance with mandatory Mexican standards (NOMs) (see the NOM certification section below). Recently, Mexico has leaned toward adopting international standards, rather than regional standards; consequently, there has been a difference between some Mexican standards from those accepted in the U.S. and Canada. The Mexican government generally recognizes as international standards those issued by the ISO/IEC. These standards tend to favor European manufacturers.

As of January 1998, conformity assessment bodies located in the United States and Canada may apply for accreditation to test products to Mexican standards. Through NAFTA, Mexico is committed to recognizing conformity assessment bodies of other NAFTA members on terms no less favorable than those used for Mexican conformity assessment bodies. As of June 1999, only one U.S. based conformity assessment body had applied for accreditation, but it has not been approved because its application has been deemed incomplete. The original application was submitted early in 1998 to the former government-run body in charge of accreditation.

The May 1997 revision of the 1992 Federal Law of Metrology and Standardization states that the government-operated laboratory accreditation program will be turned over to the private sector, but remain under the supervision of the Government. On January 15, 1999, the Diario Oficial published the authorization for the Entidad Mexicana de Acreditacion (EMA) – the Mexican Accreditation Entity -- to operate. EMA is a quasi-private sector body recognized by all nine government ministries to be in charge of the accreditation of all test and calibration laboratories, certification bodies, and quality system registrars. This includes foreign test and calibration laboratories wishing to be accredited to test for compliance with Mexican NOMs, as well as foreign quality system registrars. If a NOM issuing government dependency decides to conduct all conformity assessment activities for a given NOM, then it does not have to abide by EMA procedures nor allow for the participation of foreign test laboratories to test for compliance with its NOMs. A number of key ministries have decided to conduct all of their conformity assessment procedures.

On June 2, 1997 (updated on October 10, 1997; December 16, 1998; and April 5, 1999), a list of products by harmonized code system (tariff numbers) that must comply with a mandatory standard (NOM) and the NOMs to which they must comply were published in Mexico's Diario Oficial. The decree identifies a number of labeling regulations (NOMs) including the general labeling standards NOM-050-SCFI-1994 and NOM-051-SCFI-1994, which took effect in 1997.

Many NOMs have labeling requirements that are applicable to the products covered by those NOMs. The official labeling guide for NOM-050-SCFI-1994 lists 37 NOMs applicable to specific products having specific labeling requirements, but the list is not all-inclusive.

Mexico has issued a number of NOMs related to labeling including the following:

NOM-004-SCFI-1994 for textiles published on 11/22/95 in the Diario Oficial.

NOM-006-SCFI-1994, for tequila published on 09/03/97 in the Diario Oficial.

NOM-015-SCFI-1998 for toys published on 02/15/99 in the Diario Oficial.

NOM-020-SCFI-1997 for leather and synthetic leather materials published on 04/27/98 in the Diario Oficial.

NOM-024-SCFI-1998, which applies to labeling, intruction manuals, warranties, and other relevant information particular to electric/electronic products and household appliances. Published on 01/11/99 in the Diario Oficial.

NOM-050-SCFI-1994, which applies to consumer products not covered by other NOMs. It also applies to product instructions, operation manuals, and warranties. Published on 01/24/96 in the Diario Oficial.

NOM-051-SCFI-1994 for prepackaged foods and non-alcoholic beverages. Under NOM-051-SCFI-1994, nutritional information is voluntary, unless a nutritional claim is made. Published on 01/24/96 in the Diario Oficial.

NOM-116-SCFI-1997 for oils and lubricants for gasoline and diesel engines published on 05/04/98 in the Diario Oficial.

NOM-120-SCFI-1996 for table grapes published on 11/22/96 in the Diario Oficial.

NOM-141-SSA1-1995 for perfumes and prepackaged cosmetic products published on 07/18/97 in the Diario Oficial.

NOM-142-SSA1-1995 for alcoholic beverages (other than tequila) published on 07/09/97 in the Diario Oficial.

Under NOMs 050 and 051, package labels must carry commercial information in Spanish. If the required information appears in a language other than Spanish, then this information must appear in Spanish in the same size font, format, and clarity as it appears in the other language. Consequently, many of the labels added to packages in the past for the Mexican market are no longer acceptable. However, placing stickers over information preprinted on a package or label is permitted as long as the resulting label complies with the labeling requirements. Additionally, labels can be applied or modified in Mexico provided that the process complies with Mexico's verification procedures.

Additionally, a comma must be used as a decimal point in the quantity declaration on packages, as required by NOM-008-SCFI-1993. Imported products using a period as a decimal point are likely to be rejected by Mexican Customs officials. Accredited verification units exist, where companies can obtain an evaluation of their labels prior to export to Mexico.

The commercial information that must appear on the Spanish-language label can appear in addition to the English-language text and depends upon the specific NOM. Examples of commercial information are below, based upon NOMs 050 and 051. Not all products are required to have all of the information. The applicable NOM for a specific product must be referenced to determine what is required.

Name or business name, address and fax number of the importer

Name or business name of the producer of an imported product must be provided to SECOFI

Trademark or commercial name brand of the product

Net contents (as specified in NOM-030-SCFI-1993) (A comma must be used as the decimal point.)

Expiration date (required for prepackaged foods and nonalcoholic beverages) or date of recommended consumption

Use, handling, and care instructions for the product as required

Warnings or precautions on hazardous products

Country of origin

List of ingredients

This information must be on the packages or the products as presented for retail sale. Listing this information on the container in which a good is packed for shipment will <u>not</u> satisfy the labeling requirement.

NOM CERTIFICATION REQUIREMENTS

The decree issued on June 2, 1997 (updated on October 10, 1997; December 16, 1998; and April 5, 1999), provides a list of products, by harmonized code (tariff number) which are subject to NOMs, but the list is not all-inclusive. Beside each item is the applicable NOM. This means that these products must be tested in Mexico, found to comply with the applicable NOM, and receive a certificate attesting to the fact that the product meets the applicable NOM.

Some products may be subject to regulations in addition to or in place of NOMs. In these cases, the Secretariat responsible for the regulation must be contacted for information.

Most customs brokers and agents generally have the information about NOMs that must be complied with to import into Mexico.

Except for tires and some telecommuncations equipment, Mexico requires product certification testing to be performed by a laboratory in Mexico. For some products there is a lack of test laboratories. Occasionally, the only accredited test laboratory is the laboratory of a competitor. Some manufacturers have concerns about the proprietary nature of the test results and are not willing to submit their products to their competitors for a test.

On October 24, 1997, Mexico’s Secretariat of Commerce and Industrial Development (SECOFI) published in the Diario Oficial changes to its product certification policies and procedures for products subject to SECOFI NOMs. These changes allow a foreign manufacturer to obtain a product ruling for a product. Then each importer can obtain a NOM certificate based upon the manufacturer's test results and certification (by a Mexican register) of its quality control system, rather than have each importer go through the entire product certification process. To date no foreign manufaturer has used this option to import into Mexico. The remaining alternative is for each importer to obtain a NOM certificate for the product, even if the product is identical to the product that has been tested by another importer. Changes to these procedures may come into place late in 1999 or early in the year 2000.

Mexico is currently revising many of its standards, eliminating some, and upgrading or adding others. The May 20, 1997, revision to Mexico's Federal Law on Metrology and Standardization requires that all NOMs be reviewed at least every five years. Around every April 15, Mexico publishes, in the Diario Oficial, its annual standardization program with a subsequent amendment published in the fall of the same year. This annual program lists all committees working in the development, update, or cancellation of NOMs and NMXs for the year. Individuals, businesses, and institutions interested in influencing this process in Mexico are strongly encouraged to consult the annual plan.

Current information on Mexico's standards systems can be obtained from the U.S. Department of Commerce NAFTA Office, using the "NAFTA Facts" fax-on-demand system. Included on the system are a sample list of Mexican standards being enforced at the border (document # 9012), information on how to obtain NOM certification (document #9011) and a summary of all labeling requirements (document #9003). To obtain a copy of the English translation of NOM-051, please order document #9017. You may also order documents 9018, 9019, and 9020 for an English version of the guide to NOM-050. Call 800-USATRADE (800-872-8723) to order one or more of these documents. Further information concerning Mexican standards and product certification requirements can be obtained from the National Center for Standards and Certification Information, National Institute of Standards and Technology, telephone: 301-975-4040, fax: 301-926-1559. The Internet address is: **http://www.nist.gov**

CHAPTER VII
INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

In December 1993, the Mexican Government passed a foreign investment law replacing a restrictive 1973 statute. The law is consistent with the foreign investment chapter of the NAFTA, and has opened more areas of the economy to foreign ownership. It has also provided national treatment for most foreign investment, eliminated all performance requirements for foreign investment projects, and liberalized criteria for automatic approval of foreign investment proposals.

Mexico has implemented its commitment under NAFTA to allow the private ownership and operation of electric generating plants for self-generation, co-generation, and independent power production. In 1995, Mexico issued regulations for the first time allowing private sector participation in the transportation, distribution and storage of natural gas. In 1999 Mexico removed its tariff on natural gas in advance of its NAFTA commitment and published open access regulations for PEMEX' natural gas transportation network. These two measures level the playing field for U.S. natural gas companies.

States, provinces, and local governments must accord national treatment to investors from any of the NAFTA countries. Unfortunately, there have been a few investments blocked by local and state authorities where national treatment was not granted of where the investments have been under dispute.

In all sectors not subject to restrictions, foreign investment applications are automatically approved unless they exceed USD 25 million. If so, they require approval of the National Foreign Investment Commission. The Commission must act on applications within 45 working days. Criteria for approval include employment and training considerations, technological contributions, and contributions to productivity and competitiveness. The Commission may reject applications to acquire Mexican companies for reasons of national security. In addition, the Secretariat of Foreign Relations must issue a permit for foreigners to establish or change the nature of Mexican companies. The Mexican Constitution and Foreign Investment Law reserve certain sectors to the State, and a range of activities to Mexican nationals (see Table I). Despite these remaining restrictions, the Foreign Investment Law greatly liberalized foreign investment, eliminating the requirement for Government approval in around 95 percent of foreign investments. The Mexican Government in 1999 proposed constitutional amendments to remove restrictions on electricity, but the Mexican Congress has not yet approved these measures.

Careful attention to the Federal Labor Law (LFT) is strongly advised, as penalties for failure to meet its obligations can have an important financial impact on operations, including the embargoing of equipment.

The Constitution was amended in 1995 to allow foreign investment in railroads, telecommunications, and satellite transmission. Privatization of the country's secondary petrochemical complexes could also be allowed, but the Zedillo administration in 1999 had to abandon its plans to sell only a 49 percent share in existing facilities. Any further attempts at privatization in this sub-sector likely will be deferred until the next administration, which begins in December of 2000. Newly built petrochemical plants, meanwhile, may have up to 100 percent foreign investment.

Investment restrictions still prohibit foreigners from acquiring title to residential real estate within 50 kilometers of the nation's coasts and 100 kilometers of the borders. Nonetheless, foreigners may acquire the effective use of residential property in the restricted zones via a trust through a Mexican bank.

While Mexico is actively seeking and approving foreign investment in natural gas transportation, distribution, and storage systems, Mexico continues to exclude U.S. investors from owning assets in other important sectors open to its own citizens, including passenger and cargo transportation, selected educational services, newspapers, gas stations, and agricultural land.

In May 1995, the Mexican Government legalized the privatization of the National Railroad System. This allows up to 49 percent foreign control of 50-year concessions to operate portions of the railroad system, with a second 50-year period also available. By the end of 1998, over 85 percent of the railroad system had been privatized in this manner, with four short lines due for privatization in 1999.

Similarly, the Airport Law passed in December 1995 provides for airport concessions of 50 years to private investors, with foreign ownership limited to 49 percent in most cases (waivers are available in specific circumstances), with a second 50-year period also available. Concessions for a group of nine airports in the southeast of Mexico, including Cancun, were granted in late 1998. Another group of airports is due for concessioning in 1999, with a final two groups being proposed for concessioning in the year 2000.

TABLE I

Sectors Reserved to the State

a) Petroleum and other hydrocarbons
b) Basic petrochemicals
c) Telegraphic and radio telegraphic services

d) Radioactive materials
e) Electricity
f) Nuclear energy
g) Coinage and printing of money
h) Mail
i) Control, inspection and surveillance of maritime ports, inland ports, and heliports (although private companies now may operate docks, warehouses or even whole ports)

Sectors Reserved to Mexican Nationals

a) Retail sales of gasoline and liquid petroleum gas
b) Non-cable radio and television services
c) Credit unions, savings and loan institutions, and development banks
d) Certain professional and technical services
e) Non-rail land transportation within Mexico of passengers and freight (this restriction will be progressively eliminated by 2004 in international land transport of passengers, tourism and freight between destinations in Mexico and the United States, and administration of passenger transportation centers and auxiliary services), but not restricting messenger or package delivery services

CURRENCY CONVERSION AND TRANSFER POLICIES

Mexico has open conversion and transfer policies as a result of its membership in NAFTA and its accession to the OECD. In general, capital and investment transactions, remittance of profits, dividends, royalties, and technical service fees, and travel expenses are handled at the market-determined exchange rate. Peso/dollar foreign exchange is available on a same-day, 24- and 48- hour settlement basis. Most large foreign exchange transactions are settled in 48 hours.

EXPROPRIATION AND COMPENSATION

Under NAFTA, Mexico may not expropriate property, except for a public purpose on a non-discriminatory basis. Expropriations are governed by international law, and require rapid, fair market value compensation, including accrued interest. Investors have the right to international arbitration for violations of this or any other rights included in the investment chapter of the NAFTA. A NAFTA investor may choose either to seek monetary compensation through binding international arbitration or to use the registering country's court system.

At present there are two unresolved cases in which U.S. citizens assert that the Mexican government confiscated their land without proper compensation.

DISPUTE SETTLEMENT

The Mexican Government has a good record of handling investment disputes. Despite the large volume of trade between the United States and Mexico, the Embassy is aware of only seven unresolved investment disputes: Two involving municipalities, three with Mexican states, one with a Government bank, and one with the Federal Government of Mexico.

Both the World Trade Organization (WTO), which governs Mexico's trade with other WTO member nations, and NAFTA provide a mechanism for dispute settlement. If a dispute can be addressed under either NAFTA or the WTO, an investor may choose which forum to use.

Under NAFTA, the first step in dispute settlement is consultations. Should consultations fail to resolve an issue within 30 to 45 days, any country may call a meeting of the NAFTA Trade Commission. Without a satisfactory solution there, a balanced and mutually agreed-upon five-member panel of experts is called upon to resolve disputes. Panel members are chosen from a roster of trade, legal, and other experts, including experts from countries outside NAFTA. The panel will issue its initial report within ninety days and a final report thirty days later.

Once the panel decision has been made, either country may request the establishment of a three-member Extraordinary Challenge Committee, comprising judges or former judges from the two countries. If any of the grounds for the Extraordinary Challenge are met, the panel decision will be overturned and a new panel set up.

In addition, a NAFTA investor may have recourse to the World Bank's International Center for the settlement of investment disputes.

In December 1998, The Mexican Senate approved four Bilateral Investment Treaties (BIT's) that allow for resolution of commercial disputes in an International Court of Arbitration. The four countries are Germany, Austria, Belgium, and The Netherlands.

The U.S. Embassy has been concerned by a group of recent cases in which multinational and U.S.-Mexican joint venture firms have confronted criminal prosecution simultaneous with civil prosecution in standard commercial disputes. Each of these cases is properly the subject of civil proceedings alone. After raising Embassy concerns with the Interior Secretariat, we understand that this is not an uncommon practice in Mexico when one party seeks to gain additional leverage against another firm or its officers in a commercial matter. The Secretariat has stated, however that unfounded use of a criminal prosecution, as when there is insufficient evidence to support a claim of fraud or other criminal act, is an abuse of the Mexican legal system, which the Secretariat does not condone.

PERFORMANCE REQUIREMENTS/INCENTIVES

The 1993 Foreign Investment Law eliminates restrictions such as export requirements, capital controls, and domestic content percentages, which are prohibited under NAFTA. Foreign investors already in Mexico may apply for cancellation of prior commitments. Failure to apply for revocation of performance requirements will result in their remaining in effect.

The Mexican Government has designated both priority development zones and priority industries for special incentives, such as the exemption from import taxes for inputs into the production process (e.g. machinery and equipment, computers, raw materials, spare parts, etc.). Among the priority zones are seacoasts, ports, and border zones where industrial development is encouraged to help expand exports. Specifically excluded are heavily populated urban areas such ad Mexico City, Guadalajara and Monterrey.

FISCAL INCENTIVES

The Mexican Government has eliminated most direct tax incentives. The only significant federal tax incentive is accelerated depreciation.

Under the in-bond or maquiladora program, duty free imports under bond are authorized for equipment and goods to be re-exported and for inputs into the production of exports. Mexico is in the process of deciding how to amend the status of maquiladoras, as required by NAFTA, effective January 1 of the year 2001, to limit incentives in the case of components that do not originate in NAFTA countries.

Publishing companies and businesses engaged in agriculture, stock breeding, fishing, and timber qualify for tax reductions of 50 percent of their income tax liabilities.

State tax incentives are limited. Some Mexican states have development programs for attracting industry. These include reduction of real estate taxes, land transfer taxes, and deed registration taxes.

INCENTIVES FOR SPECIAL INDUSTRIES

Since 1971, foreign investors have been encouraged to participate in the development of resort areas. Fonatur, a government trust fund administered by the Secretariat of Tourism, has made large infrastructure investments to develop such resort areas as Cancun, Ixtapa, and Huatulco. It also designs most priority resort development projects and sells rights to use land for hotels, condominiums, and shopping centers. In cases where a Mexican company is facing severe financial difficulties or needs capital investment to increase exports, the National Foreign Investment Commission may authorize foreign investment even if the company is located in a zone normally restricted to foreign investment. This is accomplished through non-renewable investment trusts, normally for a period of 20 years.

Mexico has issued regulations for "sectoral promotion programs", which enter into effect in November 2000. These programs will reduce MFN import duties on certain inputs for manufacturers of specified products. While the program is intended, in large part, to reduce the impact of changes to the maquiladora program (see Section on Export Incentives), it is available to all producers, even if the final product is sold domestically. As of June 1999, the Government had announced sectoral promotion programs for the electric and electronic sectors, and was reviewing proposals for several other sectors, including automobiles, textiles, and toys.

The Ministry of Commerce and Industrial Development (SECOFI) has developed programs for capital goods, metal-mechanical, chemical, and consumer goods industries to stimulate domestic production of these items. Benefits are negotiated on a case-by-case basis and often include reductions in import duties in exchange for commitments to increase local content over an agreed period of time.

FINANCING

Nacional Financiera, a state-owned development bank, provides loans to companies in priority development areas and industries. It is active in promoting joint Mexican-foreign ventures for the production of capital goods. It offers preferential financing at non-subsidized rates for the following types of activities: Imports and capital investment by small and medium size businesses; environmental improvements; studies and consulting assistance; technological development; infrastructure and industrial de-concentration; modernization; and capital contribution.

The National Foreign Trade Bank (BANCOMEXT) offers financing for both export and pre-export loans. "FOMEX" also offers financing for both export and pre-export loans. Its principal programs provide financing for sales and sales promotion, working capital, and imported inputs for products destined for export.

EXPORT INCENTIVES

Mexico has two programs to stimulate manufactured exports. The two programs, the maquiladora and PITEX (Program for Temporary Imports to Produce Exports), largely operate in the same manner; the first is focused on companies that specialize in in-bond manufacturing and export, while the second is for companies that may have significant domestic sales. Initially the maquiladora program was restricted to border zones, but it is now available throughout Mexico. Both programs exempt imported inputs, capital goods, and lubricants from import duties and taxes, provided they are used to make exported manufactured goods.

The maquiladora and PITEX programs will undergo changes in 2001. Mexico will begin to assess import duties on non-NAFTA origin goods that are incorporated into products that are exported to the U.S. and Canada. (Inputs for goods exported to third countries will continue to enjoy full duty waivers.) Effective November 2000, capital goods will be subject to import duties. Both inputs and capital goods imported under the maquiladora and PITEX programs will retain their value-added tax exemption.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Most foreign investors operate in Mexico through corporations (Sociedades Anonimas de Capital Variable, or S.A. de C.V.). Foreign-owned corporations are subject to the same laws as local companies and any special regulations governing foreign investment. A Mexican corporation must have at least five shareholders and, except in certain sensitive sectors, can usually be established within one to two months. Costs of incorporation vary according to the structure of the company but the average cost is USD 6,000.

Upon registration with the Secretariat of Foreign Relations, Mexican companies with foreign participation are allowed to own land in restricted border areas for non-residential purposes.

PROTECTION OF PROPERTY RIGHTS

Mexico offers and extensive legal framework for the protection of Intellectual Property rights (IPR), as required by NAFTA and the WTO agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). It is a signatory to most major international IPR Conventions. The 1994 Intellectual Property Law provides protection to patents, trademarks, industrial designs, trade secrets, geographical indicators, and integrated circuit layout design. Mexico passed a new Copyright Law in 1996, which strengthened copyright protection over its previous law.

In November 1998, the Mexican government announced an anti-piracy campaign, which increased resources for enforcement. In April 1999, the Mexican Congress approved stiff penalties against piracy.

TRANSPARENCY OF THE REGULATORY SYSTEM

The Mexican Government recognizes the need to reform its regulatory system and to provide for a more stable and attractive investment environment. To this end, the Government enacted an agreement for the deregulation of business activity in 1995. The agreement created an Economic Deregulation Council to work in conjunction with the Secretariat of Trade and Industrial Development. The Council was charged with implementing a systematic deregulatory process that amends or repeals outdated regulations, curbs the creation and ensures the quality of new regulations, and places the burden of proof on the institutions that introduce and administer them.

By June 1998 the Government noted that over 85 percent of federal regulations had been reviewed, and that they had begun extending guidance to state and local governments for similar programs.

According to the new standards, all rules and regulations must meet the following criteria:

-- There must be a clear justification for Government involvement;

-- Regulations must be maintained or issued only on evidence that their potential benefits exceed their potential costs;

-- There must not exist regulatory alternatives which would cost less;

-- Regulations must minimize the negative impact they have on businesses, especially those that are small and medium sized;

-- Regulations must be backed by sufficient budgetary and administrative resources to ensure their effective administration and enforcement.

All existing business regulations are being reviewed in conjunction with the Economic Deregulation Council. Under the Council's guidance hundreds of business formalities have been eliminated.

The Federal Law of Administrative Procedures represents another significant investment policy accomplishment. The law requires all regulatory agencies to prepare an impact statement for new regulations which must include detailed information on the problem being addressed, the proposed solutions, the alternatives considered, the quantitative and qualitative cost and benefits, and any changes to the amount of paperwork businesses would face.

Despite these measures, many difficulties remain. Foreign firms continue to identify bureaucracy, slow government decision-making, and lack of transparency as among the principal negative factors inhibiting investment in Mexico. Other factors listed include the tax burden and labor difficulties.

There is a large surplus of labor in the formal sector of the economy, but much of that surplus is composed of low-skilled or unskilled workers. On the other hand, there is a shortage of technical workers and engineers, leading to raiding of companies for such personnel. Labor-management relations are uneven, depending upon the particular union and industry concerned. In the past several years the number of strikes has decreased. Due to the surplus of low-skilled or semi-skilled workers, lower technology industries (such as garments and agricultural produce) are attracted to invest in operations in Mexico.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Banking. The implementation of NAFTA and the 1995 financial crisis radically altered the Mexican banking sector. Under NAFTA, foreign financial affiliates (basically wholly-owned U.S. and Canadian subsidiaries) are permitted to engage in the full range of banking activities, subject to minor exceptions and market share restrictions. NAFTA-based banks may acquire Mexican-controlled banks irrespective of individual and aggregate market share limits if they have authorization of the Secretariat of Finance and Public Credit. Authorization is granted on a case-by-case basis.

As a result of the 1995 financial crisis, Mexican banks faced a dramatic increase in their overdue loans and a serious capital drain. In order to assist the banks the Mexican Government instituted a number of capitalization and debt-relief programs. As part of this package, the Government passed Financial Reform Legislation in March 1995 that liberalized foreign ownership and capital limit requirements for banks.

The Secretariat of Finance is the primary regulator of the banking system. It issues licenses and sets general credit and fiscal policies. The Bank of Mexico implements Ministry of Finance policies, controls monetary policy, and operates the balance of payments system. The newly formed Institute for the Protection of Bank Savings handles deposit insurance and is charged with the winding up of the former insurance fund, FOBAPROA. The National Securities and National Banking Commissions were merged in April 1995.

According to the CNBV'S December 1998 statistical bulletin, the Mexican banking sector has assets of 1,217,492 million pesos. Although the CNBV bulletins are informative, they are not complete since they exclude banks in which the government has intervened, banks in "special circumstances", and loans held by FOBAPROA. As a result, it is difficult to quantify the true state of the Mexican banking system.

The Mexican Government and banking sector have increased the banking system's transparency and efficiency in recent years. In January 1997, a diluted version of U.S.-based accounting standards was introduced. Financial and banking authorities have improved bank inspection procedures in recent years and received advice and training from international organizations. In addition, a credit bureau was set up in 1997.

The implementation of NAFTA on January 1, 1994, committed Mexico to applying the principle of national treatment to U.S. and Canadian financial institutions. Since the implementation of NAFTA, North American-owned bank subsidiaries have been able to offer the same services as Mexican financial institutions with several minor and limited exceptions. For example, foreign financial institutions may only establish one institution of the same type in Mexico. In addition, they can only establish subsidiaries and not branches in Mexico. Mexican subsidiaries may not establish branches, subsidiaries, or agencies outside of Mexico. Finally, during the transition period, subsidiaries may only sell subordinated debentures to their foreign parent company.

Securities. The implementation of NAFTA opened the Mexican securities market to U.S. and Canadian firms. Under NAFTA's national treatment guarantee, U.S. securities firms and investment funds, acting through local subsidiaries, have the right to engage in the full range of activities permitted in Mexico. U.S. and Canadian firms will be subject to market share limitations during NAFTA's 1994-1999 transition period.

The National Banking and Securities Commission, the Ministry of Finance, and the Bank of Mexico regulate the securities industry. The Bolsa {Stock Exchange) and the Mexican Association of Trading Intermediaries exercise self-regulatory functions. Foreign entities may freely invest in Government securities. Foreign investors may also purchase non-voting shares through mutual funds, trusts, offshore funds, and American depository receipts. They also have the right to directly buy limited or non-voting shares as well as free subscription shares, or "B" shares, which carry voting rights. Finally, foreigners may purchase an interest in "A" shares, which are normally reserved for Mexican citizens, through a neutral fund operated by the Mexican Development Bank.

POLITICAL VIOLENCE

Political Violence, in the form of small-scale skirmishes and inter-communal disputes, has been largely confined to the southern states of Mexico. Since the initial uprising of the Zapatista National Liberation Army {EZLN) in Chiapas in January 1994, Government forces and the EZLN have only clashed on one occasion, although the state has been characterized by local violence. The Popular Revolutionary Army emerged in June 1996, and has carried out a number of small-scale attacks, mostly in the rural areas of Guerrero and Oaxaca. There have been no attacks on government or private infrastructure since 1994. Politically motivated civil disturbances, especially in the larger metropolitan areas such as Mexico City, Guadalajara, and Monterrey, are infrequent. Nonetheless, criminal activity in Mexico City and Guadalajara, including kidnappings, has reached critical proportions.

CORRUPTION

The Mexican Government recognizes that corruption is a severe problem and has taken steps to combat the issue. The Government has enacted strict laws attacking corruption and bribery, with average penalties of five to ten years in prison. Government agencies at the federal, state and municipal levels are engaged in the anti-corruption campaign. Chief among these agencies are the Secretariat of Commerce and Industrial Development, the Attorney General, and the Comptroller General. Many low- to mid-level officials have been found guilty of corruption.

Mexico ratified the OECD Convention on combating bribery in May 1999. The Mexican Congress passed the legislation implementing the convention that same month. The legislation includes provisions making the bribing of foreign officials a criminal act.

BILATERAL INVESTMENT AGREEMENTS

Mexico has bilateral investment protection agreements with a number of countries: Spain, Chile, Colombia, Venezuela, Bolivia, and the United States and Canada {through NAFTA). Four more were ratified in December 1998, with Germany, Belgium, Austria, and The Netherlands.

The United States and Mexico have a Bilateral Tax Treaty to avoid double taxation and to prevent tax evasion. Important provisions of the treaty establish a ceiling for Mexican withholding taxes on interest payments and U.S. withholding taxes on dividend payments.

Mexico and the United States also have a Tax Information Exchange Agreement to assist the two countries in enforcing their tax laws. The agreements cover information that may affect the determination, assessment, and collection of taxes, and investigation and prosecution of tax crimes. A Financial Information Exchange Agreement took effect in 1995 that permits the exchange of information with respect to certain currency transactions to combat illegal activities, particularly money laundering.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

Constitutional restrictions to-date have prevented Mexico from participating in insurance offered through the U.S. Overseas Private Investment Corporation. Mexico also is not a member of the Multilateral Investment Guarantee Agency {MIGA). Companies offering private investment insurance do operate in Mexico.

LABOR

Mexico's Federal Labor Law, enacted in 1931 and revised in 1970, is based on Article 123 of the Mexican Constitution. Mexican workers enjoy the rights to associate, bargain, and strike.

The Labor Law sets a maximum forty-eight hour workweek with one day of rest. For overtime, workers must be paid twice their normal rate and three times the hourly rate for overtime more than nine hours per week. Employees are entitled to most holidays, paid vacation {after one year of service), vacation bonuses, and an annual bonus equivalent to at least two weeks pay. Companies are also responsible for additional cost for the employee according to the Federal Labor Law. These usually add about 30 to 35 percent of salaries. Employers must also contribute a tax-deductible two percent of each employee's salary into an individual retirement account. Most employers are required to distribute ten percent of their pre-tax profits for profit sharing.

The strength of organized labor in Mexico has generally been on the wane over the past decade, particularly during the economic crisis years of 1982-1987 and 1994-1995. The country's large labor unions generally have supported the Government's economic restructuring program in part because real wages in most sectors of the economy had begun to rise, although they have not regained buying power lost during the last two decades. The Federal Labor Law provides that a union can be formed with a minimum of twenty workers. For the past few years, strikes have been limited and they are usually settled quickly. Strikes that are more difficult will usually draw Government mediators to help the settlement process. Independent unions have been playing an increasingly significant role, particularly since the formation of the new Labor federation {National Union of Workers) in November 1997. Information on unions registered with Federal Labor authorities is now available to the public via internet. For more detailed information on the labor sector see "Annual Labor Trends - Mexico" published by the U.S. Department of Labor.

FOREIGN TRADE ZONE/FREE PORTS

To expand employment and training opportunities, the Mexican government established the maquiladora program, which allows duty free imports of machinery, parts and raw materials for the assembly and finishing of products in Mexico for re-export to the United States or elsewhere. Generally, if the parts are of U.S. origin and are not substantially transformed abroad, U.S. import duties are levied only on the value added.

Special incentives are available to companies that set up manufacturing plants within 13 miles of the northern and southern border and the free zones that include both of the states on the Baja California Peninsula, Quintana Roo, and the northern part of Sonora bordering on the United States. Companies in these areas may obtain up to 100 percent reduction of import duties on machinery, equipment, spare parts, and raw materials for a maximum of ten years from the time they begin operations. To qualify, companies must manufacture products not produced elsewhere in Mexico. Mexico also has two free ports: Puerto Mexico and Salina Cruz. Maquiladoras are to be treated like other companies for tax purposes beginning on January 1, 2001, at which time the NAFTA origin of the components used becomes a critical factor.

CHAPTER VIII
TRADE & PROJECT FINANCING

INTRODUCTION

There are many points to consider to "get paid" promptly and the two most important points are completing export documents correctly, including banking paperwork, and identifying a secure method of payment. In general terms, there are two basic situations when the export documentation process must be exact and the payment terms and conditions secure, namely: 1) When starting to sell into Mexico; and 2) When an economy is recovering from a recession, as in the current situation. There is no room for errors in preparation of export documents. Documents should be forwarded the same day the shipment leaves the factory or point of origin. **Original export documents should not be entrusted to truck drivers for delivery to anyone.**

FINANCING AVAILABILITY

Credit is limited and currently expensive in Mexico. The current interest rate is between 20-30% percent with limited access to commercial bank financing by many prospective borrowers. Financial factoring, leasing, and general warehousing can be alternatives to banks in Mexico.

TRADE FINANCE

1. Advance payment

Exporters will find few, if any, customers willing and/or able to purchase through advance payment. Demand for advance payment may kill a sale.

2. Letters of Credit

Because of the current economic situation, a letter of credit (L.C.), specifically a confirmed/irrevocable L.C., provides a good measure of security for the exporter. The key to determining the use of LCs is "knowing your customer." Many Mexican companies are unwilling or unable to provide them. In the past, banks generally issued letters of credit based on an ongoing credit relationship and carved out the amount corresponding to the LC from a company's normal credit line. The current economic situation has reduced the ability of some banks to issue LCs. For companies which are not customers or which have fully used their approved lines, Mexican banks will demand cash collateral. Companies with insufficient liquidity will be unable to obtain letters of credit. Many Mexican companies fall into this category.

Exporters should take advantage of LCs to provide financing. This is a risk-free and relatively inexpensive way to finance a customer's purchase. By discounting the drafts resulting from a time LC, a company can finance its customer at the rough equivalent of the prime rate or less for up to 180 days, and can pass the cost along to the customer in the form of a slightly higher product price.

3. Documentary Collections

In the case that an exporter's customer is unable or unwilling to provide an LC and the exporter has a trusting relationship with a purchaser that has sound finances, some form of documentary collection, whether sight or time, can be very useful. While this entails more risk than a Letter of Credit, it is also true that Mexican companies often possess business ethics equivalent to those of American companies. Prudent credit review practices may allow U.S. companies to sell under this payment form without undertaking undue risk. Use of the Commercial Service's International Company Profile report (ICP) can help assure the U.S. supplier of the credit worthiness of the Mexican firm.

4. Open Account

Many U.S. companies sell to Mexico via open account. It is not at all unusual, and experience indicates that, with prudent credit review practices, open account sales in Mexico need not be inherently risky. Credit information is available through the Commercial Service's International Company Profile report (ICP) as well as through private credit reporting agencies. For any sizeable transaction or relationship, exporters should demand financial statements just as they might in the U.S., and they should visit the customer's facility and meet with the major officers to assess their capacity and seriousness.

5. Standby Letters of Credit

Many companies export under standby letters of credit. This method can be extremely useful for frequent shipments, particularly small ones that fall below the minimum LC size at which banks begin to charge a percentage instead of a flat fee. There are savings as well in terms of administration because no individual LCs are established or documented. Unfortunately, standbys in Mexico are expensive and they suffer from the same drawback as commercial LCs -- the customer may have no availability under credit lines or may not be able to forego the corresponding portion of its credit line.

6. Receivables Insurance

Several parties offer receivables insurance in Mexico. The best known are the U.S. Export-Import Bank (EXIM), American International Group (AIG), and the Foreign Credit Insurance Association (FCIA). EXIM's insurance carries the full faith and credit of the U.S. government. The others are private insurance companies.

This insurance can enable a company to give terms of up to 180 days to purchasers. Knowledgeable international banks will finance insured receivables, whereas most banks will not finance uninsured foreign receivables that are not under letters of credit. EXIM insurance is the most accepted by banks, but more banks are becoming comfortable with the private sector products. The cost of the insurance and the financing can often be passed on to the customer as a higher product price. It is not recommended that financing costs, whether under insurance or any other financing mechanism, be set out as a separate line item such as in a proforma invoice since a Mexican tax liability will arise from the payment of interest.

7. EXIMBANK

The Export-Import Bank of the United States, an independent agency of the federal government, offers various short, medium and long-term export finance and insurance programs. Of specific interest to U.S. exporters are the guarantees for medium-term loans to purchasers of capital equipment. Most loans are actually made by American banks with EXIM's guarantee. EXIM is extremely active in Mexico.

Much of EXIM's activity is under so-called bundling facilities. A bundling facility is a large medium-term loan made to a Mexican bank by an American bank with the guarantee of EXIM bank. The Mexican bank then makes loans for the purchase of American capital goods to Mexican companies. It undertakes the credit assessment and risk since it effectively counter guarantees the loans it makes.

8. Small Business Administration

The Small Business Administration (SBA) provides financial and business development assistance to encourage and help small businesses in developing export markets. The SBA assists businesses in obtaining the capital needed to explore, establish or expand international markets. SBA's export loans are available under SBA's guaranty program. Prospective applicants should request their lenders to seek SBA participation if the lender is unable or unwilling to make the loan directly.

SBA also offers an Export Revolving Line of Credit (ERLC) program that is designed to help small businesses obtain short-term financing to sell their products and services abroad. The program guarantees repayment to a lender in the event an exporter defaults. By reducing a lender's risk, the ERLC provides an incentive for lenders to finance small business exporters' working capital needs. The ERLC provides only the lender from default by the exporter; it does not cover the exporter should a foreign buyer default on payment. Lenders and exporters must determine whether foreign receivables need credit risk protection.

Borrowers can use different SBA loan programs and types of loan guarantees simultaneously, as long as the total SBA-guaranteed portion does not exceed the agency's US$750,000 statutory loan guaranty limit to any one borrower.

9. Credit Programs for U.S. Food and Agricultural Products

The U.S. Agricultural Trade Office (ATO) administers four export credit guarantee programs in Mexico. The GSM-102 and GSM-103 Credit Guarantee Programs facilitate the export of U.S. agricultural products by providing credit guarantees to U.S. exporters from 90 days to two years for GSM-102 coverage, and from three to seven years for GSM-103 coverage. The ATO also administers the Supplier Credit Guarantee Program (SCGP). The SCGP is designed to assist exporters of U.S. agricultural commodities who wish to directly provide relatively short-term credits (15 to 180 days) to their importers. Finally, the Facility Guarantee Program (FGP) is a new program that provides credit guarantees for the sale of U.S. capital goods and services.

At the beginning of each fiscal year, the U.S. Department of Agriculture (USDA) establishes and announces the amount of credit guarantees that are authorized under each of these four programs. For fiscal year 1999, the program authorization is as follows: GSM-102: $1.25 billion; GSM-103: $100 million; SCGP: $100 million; and FGP: $50 million. USDA regularly monitors sales made under these programs, and as necessary, revises the authorization levels. USDA will announce the new credit guarantee program authorization levels for fiscal year 2000 in early October, 1999.

10. Local Sources of Customer Financing

Exporters should be aware that Banco Nacional de Comercio Exterior (BANCOMEXT, Mexico's equivalent of EXIM) and Nacional Financiera (NAFINSA, a government owned national development bank) have programs to finance imports by Mexican companies. Covered products include capital goods and technology intended to modernize companies to enable them to become more competitive and to export, as well as raw materials and other inputs. Since many Mexican companies are unaware of these programs, U.S. exporters should be aware of the financing alternatives available to their customers depending upon their product categories.

BANKING SYSTEM

Commercial Banks

Mexico's commercial banks offer a full range of services within one institution. These services range from offering deposit accounts, consumer and commercial lending, corporate finance and the operation of trusts and mutual funds to foreign exchange and money market trading.

Mexico's commercial banking sector has been opened to foreign competition. The North American Free Trade Agreement (NAFTA), which went into effect on January 1, 1994, permits U.S. and Canadian banks or any other foreign bank with a subsidiary in the U.S. or Canada to establish wholly owned subsidiaries in Mexico. The first authorizations of foreign-owned banks were issued after July 31, 1994.

Foreign banks are now allowed to operate in Mexico. They are allowed to undertake financial inter-mediation or solicit customers for their parent bank.

The Secretariat of Finance, the National Banking and Securities Commission and the Bank of Mexico, are the principal regulators of the banking system. The Secretariat of Finance is concerned with institutional issues such as licensing and sets credit and fiscal policies. The Bank of Mexico (the Central Bank) implements these policies and also operates inter-bank check clearing and compensation systems. The Institute for the Protection of Bank Savings (IPAB, replacing the former institution FOBAPROA) acts as a deposit insurance institution. The National Banking and Securities Commission, a semi-autonomous government agency, is responsible for supervision and vigilance. The Mexican Banking Association represents the interests of Mexico's banks.

Development Banks

The mission of development banks is to fill financing shortfalls in the commercial banking sector. Mexico has seven government-owned development banks that provide services to specific areas of the economy. The dominant institutions are Nacional Financiera (Nafinsa) and the External Trade Bank (Bancomext). These institutions have become primarily second-tier banks that reach priority sectors by lending through commercial banks and other financial intermediaries such as credit unions, savings and loans and leasing and factoring companies. Nafinsa's primary program funds micro, small and medium-sized businesses. Nafinsa also undertakes strategic equity investments and contributes equity to joint ventures.

Bancomext provides financing to Mexican exports and to small and medium-sized companies. It also offers working capital, project lending and training to firms in several specific sectors that require support, such as textiles and footwear.

Exchange Controls

There are no controls on the transfer of dollars into and out of Mexico. This means that profits can be repatriated freely.

PROJECT FINANCE IN MEXICO

Project financing is separated into pure project financing and financing for projects. These two are not synonymous.

1. Pure Project Financing

Pure project financing requires that the only source of collateral, investment return, and loan repayment be revenues derived from services and/or products resulting from the investment. The project must be literally self-financing, without reliance on guarantees or other undertakings from owners or third parties. Examples of this type of financing are typically seen in utility-industries such as electrical power, water supplies, drainage, and certain environmental projects.

Banks, investor groups, large institutional investors such as insurance companies, public offerings of bonds and other capital market instruments often provide financing. Such financing is in its infancy in Mexico as the Government of Mexico (GOM) has previously been the owner of these types of projects. The financing required by the GOM has been handled either through large international loan syndication direct to the federal government or its operating entities or through multilateral credits.

Mexico has entered a new era with the concessioning of sea and airports, railroads, satellite communications, power generation plants, and natural gas distribution systems. The winning Mexican and foreign firms of these activities must arrange the pure project financing required.

2. Financing for Projects

The winning Mexican and foreign firms of other, off-budget major projects will need to finance major purchases of both equipment and services. American firms should learn the programs of the EXIMBANK, the World Bank, the Inter-American Development Bank (IDB), and the North American Development Bank (NAD Bank - used for environmental projects along the U.S.-Mexico border). Support for selected project feasibility studies is available from the U.S. Trade and Development Agency. There is also activity by the Japanese EXIM and other national export credit entities, but they are typically less useful to U.S. companies.

EXIM will finance up to 80 percent of the U.S. content portion of any major project, but has only a small program for project finance. A new variation that comes closer to project financing is a Memorandum of Understanding between the EXIM and Mexico's Banco Nacional de Obras y Servicios Publicos (BANOBRAS, a national development bank). This agreement allows EXIM to finance up to $500 million of U.S. exports of environmental goods and services over the next five years. The agreement will promote the construction of wastewater treatment facilities by municipalities.

INTER-AMERICAN DEVELOPMENT BANK

The Inter-American Development Bank (IDB) finances public sector projects in Mexico and the other 25 borrowing countries in Latin America and the Caribbean. U.S. companies are eligible to compete for contract awards from public sector executing agencies. The IDB has focused its leading programs on infrastructure needs in Mexico, while the World Bank has favored human resource development and structural reform initiatives.

In contrast to trade finance institutions, U.S. companies do not apply directly to the IDB to finance U.S. exports of goods and services. U.S. companies interested in competing for public sector projects financed by the IDB may maximize their chances of winning by contracting a local partner in Mexico. U.S. companies may call on various IDB resources including monthly business briefings at the Washington D.C. headquarters, subscription to the IDB project pipeline, or registration as a project consultant.

CHAPTER IX
BUSINESS TRAVEL

Mexico shares a border over 2,000 miles with the U.S.A. and offers a wide variety of business destinations. This report focuses on the major destination, Mexico City. The country of Mexico has a highly centralized organization making Mexico City the primary nerve center of the country. With the population of some 20 million people, Mexico City is a cosmopolitan, world-class city with all the advantages and disadvantages of a huge urban center.

TRANSPORTATION AND HOUSING

Mexico City has frequent direct and non-stop flights from major U.S. cities. American carriers to Mexico include American, Continental, Delta, America West, United, TWA and Northwest. Mexican carriers providing scheduled service in Mexico include Mexicana, Aeromexico and several feeder carriers. All provide efficient, quality transportation with frequent flights to secondary cities in Mexico.

Many business class hotels are available in Mexico City, including Marriott, Intercontinental, and Sheraton, among others. All of these hotels offer business centers and most also offer fitness centers. Rates are comparable to most major U.S. cities, ranging from $150 to $500 per night.

The Mexico City Benito Juarez airport has collective transportation available by taxi to any point in the city. Be sure to purchase your airport transfer on airport premises. Fixed prices apply to all destinations and receipts are given. Do not use private taxi services offered on site. Airport bus transfers are not available.

For travel in Mexico City, most visitors prefer taxis to car rentals that are very expensive. Furthermore, Mexico City is difficult to navigate. Metered taxis cruise the streets. However, for reasons of security visitors are urged to use only airport, tourist or sitio (stationary/radio) taxis, and to avoid roving taxis within the city. Private cars with bilingual drivers can also be hired at most business hotels; they will negotiate fees on an hourly or daily basis if desired and are also considerably more expensive.

While the Embassy has no information to indicate that official or private U.S. travelers to Mexico are specifically targeted for terrorist or criminal activity, there is a continuing risk. Mexico City is designated a high threat crime area, and violent crime and street crimes, including murder, armed robbery, car jacking and pick-pocketing are common.

VISAS AND VISITOR FEES

Tourists are not required to purchase a visa for entry. They may obtain an entry form (which constitutes a visa and is called a Forma Migratoria) at any port of entry. Air passengers will receive the form on-board prior to landing.

Business visitors from the United States may enter Mexico using a NAFTA-FMN form obtained from any Mexican Consulate in the United States, travel agency, or airline company. The NAFTA-FMN form is valid for 30 days upon port of entry and must be returned upon exit. As of July 1, 1999, the NAFTA-FMN visa cost is 150 pesos.

Note that while many business visitors travel to Mexico on tourist status, this is not advised for several reasons. Contracts and other business agreements entered into while an American visitor to Mexico is traveling on tourist rather than business status are not legal, and there have been instances of immigration authorities arresting and fining visitors doing business while on tourist status. Visa status can be adjusted fairly easily while in country.

To obtain a visa, proof of citizenship and picture I.D. must be presented to Government of Mexico immigration officials.

Documents can include a certified copy of a birth certificate, a passport, naturalization certificate or voter's registration card. Business visitors also should be prepared to present documents certifying that they are a legitimate business visitor and the reason for entering Mexico (e.g. a letter from the U.S. employer). Usually, a verbal declaration is all that is required.

An FM-3 visa may be obtained with validity up to one year, renewable up to a total of five years. The cost as of July 1, 1999, is 1,203 pesos. A NAFTA-FMN visa can be converted to an FM-3 visa in-country at the nearest Mexican Institute of Naturalization (IMN) office.

Mexico charges a visitor's fee of approximately $15 at current exchange rates. This fee must be paid by visitors to Mexico except for:

-- Mexican citizens, resident aliens, and students who hold a valid Mexican student identification;
-- Persons formally designated "Distinguished Visitors" by the Mexican National Immigration Institute;
-- Visitors by land or sea who stay less than 72 hours (e.g. short-stay cruise ship visitors);
-- Visitors along the U.S.-Mexican border who do not proceed beyond the 26 km checkpoints;
--Visitors who DO proceed past these checkpoints but only in order to reach an "exempted area" (all of which are near the border) which includes Tijuana/Ensenada, the San Felipe Tourism Development Zone in Baja California, Sonoita/Puerto Penasco, Cd. Juarez/Paquime, Piedras Negras/Santa Rosa, and Reynosa/China/Presa Cuchiyo.

The $15 fee is included in the airfare paid by persons arriving by air. In cases where the fee applies to cruise passengers, it will be included in the cruise fare. Persons entering by land on a tourist visa are allowed unlimited ingress and egress for 180 days after paying the fee. Persons entering by land on a business visa are allowed unlimited ingress and egress for 30 days after paying the fee.

Persons entering by land may pay the fee at any bank operating in Mexico prior to leaving Mexico. Visitors must present their FMN form (Forma Migratoria - visa) to be stamped paid. This form must be retained and presented to immigration inspectors upon leaving the country or as otherwise required.

LANGUAGE

Spanish is the official language of Mexico. While many people in the large cities speak some English, it may be difficult for them to conduct detailed discussions. Non-Spanish speaking visitors to Mexico may wish to hire an interpreter. It is considered courteous for U.S. business people to speak a few words of Spanish. Please note that most mid- and high-level business contacts speak English and are U.S. educated. Top-level Government officials also speak English and frequently have gone to the best universities of the world.

CLIMATE

Mexico stands out for its great diversity in weather and topography. Most Mexican terrain is classified as mountainous or hilly and is divided into three vertical zones: hot, temperate and cool. Hot land ranges between sea level and 3,000 feet. This includes Puerto Vallarta, Acapulco and other beach resorts, as well as the desert Northeast and border zone. Temperate area is found between 3,000 and 600 feet. Guadalajara and Chapala are in this category. Above this is the cool region, including Mexico City, at 7,300 feet.

Most parts of the country have fairly well defined wet and dry seasons. The rainy season in Mexico city starts in May or June and runs through September. Rains, often torrential, usually come in the late afternoon. An umbrella is a necessity during this season. It will rain occasionally in other months.

Spring/fall attire is suitable all year in Mexico City. During most of the year the weather is warm during the day and cool in the early morning and evening. During the cooler part of the dry season (December to February) it may be chilly during the day and cold at night. Layered clothing is recommended.

HEALTH

Medical care in the principal cities is dependable. Most private Mexican doctors have U.S. training and speak English. Hospitals, especially the American British Cowdray (ABC Hospital) in Mexico City and several private clinics are considered good.

Visitors should follow standard international dietary precautions in Mexico. It is best to drink bottled beverages without ice. Alternatively, water should be boiled and filtered. Raw salads should not be consumed, all fruits should be peeled, only pasteurized dairy products should be consumed, and meat should be ordered well done.

Business restaurants in general cater to foreign visitors and fulfill all sanitary requirements. Many American fast food chains have franchises in Mexico with similar standards as in the U.S. Do not consume tacos or other food from street vendors, no matter how tempting.

Air pollution in the Valley of Mexico (Mexico City and adjacent areas) is chronic. Contaminants far in excess of U.S. and Mexican standards pollute the air many days during the year. Efforts by the Mexican Government have succeeded in reducing lead and sulfur dioxide. However, ozone, carbon monoxide and suspended particulate matter levels are increasing.

Air pollution is at its peak from November to April, during the dry season, and may aggravate allergy and cardiopulmonary problems. The relatively high altitude of Mexico City, a long winter dry season, and air pollution cause irritation of the respiratory tract, nose and eyes.

Visitors to Mexico City should remember the high altitude and be prepared to move slowly, getting sufficient rest, until they have adjusted. Upon arrival in Mexico City, the sensation of increased respiration, rapid heart rate, and mild dizziness are normal adaptive processes. Insomnia, fatigue, circulatory problems, symptoms of dehydration, and nausea are common, but pass quickly. Alcoholic beverages have a stronger effect. Newcomers may find it beneficial to drink plenty of water.

COMMUNICATIONS

Telephone service is usually reliable and most parts of Mexico have direct dialing to the U.S. Telephone service is heavily taxed in Mexico, causing costs to be expensive by U.S. standards. Sprint, MCI, and AT&T credit cards may be used in Mexico. Cellular telephones are available and widely used. Worldwide telephone service offers good connections.

Mexico City has nine local TV stations that broadcast Spanish language programming. Several local companies offer cable and direct satellite service with a wide range of English and Spanish language stations. CNN and other programs popular with business travelers are routinely available in hotel rooms.

Twenty Spanish-language and one English-language daily newspaper are published in Mexico City. The New York Times, the Wall Street Journal, Journal of Commerce, the Washington Post, Los Angeles Times, Miami Herald and USA Today usually arrive the day of or the day after publication. Many U.S. books, magazines and other publications are available at newsstands.

Mail service is very slow. Messengers routinely deliver correspondence.

LOCAL BUSINESS CUSTOMS

The length of the workday varies depending on the region of the country and the type of organization. In Mexico City, companies typically open at 9:00 or 9:30 A.M. and work until 7:00 P.M., with a long lunch beginning at 2:00 P.M. or later. In the North the workday may begin and end earlier with lunch at 1:00 P.M. Federal government offices in Mexico City traditionally have started work at about 10:00 A.M., with a break at 2:00 or 3:00 P.M. for lunch and a return at 5:00 P.M. or 6:00 P.M to work into the evening until 9:00 P.M. Beginning April 1, 1999, the federal government issued new instructions for offices to operate between the hours of 8:00 AM and 6:00 PM with flexible arrival and departure times for employees. In practice, however, many offices continue to operate according to the traditional schedule.

Business cards are used extensively. Come with a large supply.

Mexicans make extensive use of professional titles (doctor, profesor, licenciado, ingeniero). It is courteous to address them by their titles.

There is respect for older and more senior members of a group. It is customary to shake hands with all upon arrival and departure.

Much business is conducted over a meal, including alcoholic beverages. It is polite to accept a drink with your host. The "no smoking" culture is not common in Mexico.

Business meetings in Mexico will often take longer than they would in the States.

Etiquette includes small talk before getting into business. Ask about your counterpart's home town, university, and family.

Participation in social activities is very important to succeed in the Mexican business world.

Yes does not always mean yes. Mexican social etiquette makes it difficult to say no.

Do not be overly aggressive while negotiating. It is considered rude.

In conversation, Mexicans emphasize tactful and indirect phrasing, and may be more effusive than Americans with praise and emotional expressions.

The concept of time is flexible in Mexico. Guests to social events (except in the case of cities in the North) can arrive an hour late. Punctuality is observed for most government appointments and social functions.

Patience is the key to doing business in Mexico. Although the presence of businesswomen is increasing, business in Mexico is male-oriented.

Tipping is common in Mexico. Calculate 10 percent of restaurant bills and one U.S. dollar per bag to bellboys.

It is customary to send a small gift or greeting card at Christmas to key business contacts.

SECURITY CONSIDERATIONS

Street crime is common, especially in urban areas. Violent crime against foreigners is becoming more common. Do not leave your pockets unprotected or purses open, any more than you would in any large city. Avoid wearing expensive watches and jewelry and carrying large sums of cash, your passport, and multiple credit cards. Leave these in a hotel safe, not in your room. Make sure you know the PIN numbers for any credit or debit/cash cards you carry, and do not carry cards for which you do not have a PIN. If necessary, write any PIN numbers on a piece of paper and carry it with you separate from your wallet.

The U.S. Embassy advises its personnel not to travel on Mexican highways after dark and not to take roving taxi cabs. Business people should do the same. Use only taxis called by your hotel, place of business, or from "sitios" (cab stands). Exercise caution walking in areas frequented by tourists and shoppers. Do not walk alone at night.

EDUCATION

Dependents of foreigners generally attend private schools. There are several excellent bilingual private schools in Mexico City. Entrance examinations are sometimes required. The Mexican government requires all bilingual schools to provide some Spanish language instruction at the primary level, beginning with first grade.

A few of the more popular bilingual schools in Mexico City include:

The American School Foundation, a large school (2,300 students) accredited by the U.S. Southern Association of College and Schools (K-12).

Greengates School, a co-educational school based on the British system, with 900 students from 10 different nationalities (K-12).

Colegio Junipero, a parochial school associated with the Dominican Sisters of California and the only Catholic bilingual school in Mexico City (K-6 with 400 students).

Other quality bilingual schools include Lomas Altas and Sierra Nevada.

CULTURE AND RECREATION

Mexico City has a vibrant cultural life with numerous concerts, opera, and theater as well as art galleries and many museums. Excellent cuisine and nightlife is also available.

There are several golf and tennis clubs and social clubs available to the foreign community. Exercise gyms are very popular and widely available.

Mexico City also offers many nearby points of interest that can be visited in one or two days to escape the big city. These include Cuernavaca, Taxco, Queretaro, Tequesquitengo, Tequisquiapan, Toluca, Valle de Bravo, San Miguel Allende, Guanajuato, and Tepozotlan, to mention a few.

Listed below are Mexican holidays for the next year. On these days, banks will not be open and business will be closed. Be aware of the popular "puentes" or bridges. When holidays fall near the weekend, they are rapidly converted into long weekends for all and are not a good time to schedule business trips.

MEXICAN HOLIDAYS

September 16	Mexican Independence Day
October 12	Dia de la Raza
November 2	All Soul'S Day
November 20	Anniversary of the Mexican Revolution
December 25	Christmas Day
January 1	New Year's Day
February 5	Anniversary of the Mexican Constitution
March 21	Benito Juarez's Birthday
April 20	Holy Thursday
April 21	Good Friday
May 1	Mexican Labor Day
May 5	Anniversary of the Battle of Puebla

In addition to the official holidays, there are some unofficial holidays that are observed by most businesses in Mexico. These include May 10 - Mother's Day, and December 12 - Dia de la Virgen de Guadalupe, the official Patron Saint of Mexico. Furthermore, businesses close down almost completely for two week between Christmas and New Year. Traditional Christmas festivities or "posadas" are held in the evenings beginning December 16. Consequently, this is not a good time to plan business in Mexico as most executives are on holiday. This holds true for the week before Easter as well.

CHAPTER X
ECONOMIC AND TRADE STATISTICS

COUNTRY DATA

Population (year-end 1998, millions):	97.4
Population Growth (pct. change p.a.):	1.6
Religions:	Nominally Roman Catholic: 89% Protestant: 6%
Government System:	Federal republic under centralized government
Languages:	Spanish, various Indian dialects
Work Week:	48 hours, one paid day of rest

DOMESTIC ECONOMY

	1996	1997	1998	1999(p)	2000(p)
Gross Domestic Product (USD Billions)/1	330	402	415	448	456
GDP Growth (Rate real pct.)/2	5.2	7.0	4.8	2.8	3.7
GDP Per Capita (Current USD)/3	3,527	4,232	4,294	4,565	4,580
Government Spending (pct. GDP)/4	23	24	23	23	23
Inflation (Dec-Dec, Pct)/4	27.7	15.7	18.6	14.2	10.0
Unemployment (Pct)/5	5.5	3.7	3.2	3.4	3.5
Foreign Exchange Reserves (USD Billions, end period)/4	17.5	28.0	30.1	31.0	31.0
Average Exchange Rate (USD 1.00)/6	7.6	7.9	9.1	9.8	11.0
Debt Service Ratio (Interest Payments/Exports) /4	15	13	15	12	11

(p) - projected figures

Sources:
/1 - Calculated using peso-denominated GDP figures from INEGI, Mexican Bulletin of Statistical Information, and yearly-average exchange rate figures from the IMF, International Financial Statistics.
/2 - INEGI, Mexican Bulletin of Statistical Information.
/3 - Same as /1, plus CONAPO's 1998 Mexican Population Projection, internet.
/4 - Bank of Mexico Annual Report, 1998.
/5 - INEGI, 1998 National Survey of Urban Employment.
/6 - IMF, International Financial Statistics.

Projections come from various sources, including private-sector forecasting companies.

TRADE

	1996	1997	1998	1999(p)	2000(p)
Total Country Exports FOB(from Mexico)/1	96.0	110.4	117.5	128	140
Total Country Imports	89.5	109.8	125.2	140	154

FOB(to Mexico)/1					
U.S. Exports (FAS)/2	56.8	71.4	79.0	87	96
U.S. Imports (CUS)/2	73.0	85.9	94.7	104	115

(FOB) - Mexican data are calculated free on board for both imports and exports.
(FAS) - U.S. data are calculated free alongside for exports.
(CUS) - U.S. data are calculated customs basis for imports.

(P) - Projected figures

Sources:
/1 INEGI, Estadisticas del Comercio Exterior de Mexico.
/2 DOC

FOREIGN DIRECT INVESTMENT IN MEXICO

Actual direct foreign investment flows by country.

Year	1994	1995	1996	1997
Total	10,210	7,720	6,598	7,981
USA	4,566	4,889	4,347	4,673
India	1,219	51	286	29
Canada	741	166	493	102
Holland {1}	1,200	781	484	73
Japan	629	159	101	306
UK	584	206	64	1,741
Germany	304	544	183	273
Others	967	924	640	784

{1} Includes Netherlands Antilles

CHAPTER XI
U.S. AND COUNTRY CONTACTS

Note: For local calls made within Mexico City, it is necessary to dial the city code "5" along with the regular 7-digit number listed below. Long distance calls to Mexico City may be dialed as usual, with the country code (52), city code (5), and 7-digit number.

1) <u>U.S. Embassy Trade Personnel</u>

Dr. Dale Slaght
Career Minister for Commercial Affairs
United States Trade Center
Liverpool 31, Col. Juarez
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Mail: P.O. Box No. 3087
Laredo, TX 78044-3087C
E-mail: dale.slaght@mail.doc.gov
URL: **http://www.uscommerce.org.mx**

Mr. William Brew
Minister Counselor for Economic Affairs
Embassy of the United States of America
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URL: **http://www.usembassy-mexico.org**

Mr. Franklin Lee
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Laredo, TX 78044-3087
Email: agmexico@fas.usda.gov
URL: **http://www.usembassy-mexico.org**

U.S. Agricultural Trade Office
Chad R. Russell, Director
Jaime Balmes 8-201
Col. Los Morales Polanco
11510 Mexico, D.F.
Tel: (011-525) 280-5291; 281-6586
Fax: (011-525) 281-6093

Mail: P.O. Box 3087
Laredo, TX 78044-3087
Email: usatomex@cycom.net.mx
URL: http://www.atomexico.gob.mx/ato

U.S. Consulate General, Monterrey
Ms. Janice Corbett
Principal Commercial Officer
Avenida Constitution No. 411 Pte.
64000 Monterrey, NL
Tel: (011-52-8) 343-4450
Fax: (011-52-8) 342-5172
Mail: P.O. Box 3098
Laredo, TX 78044-3098
E-mail: janice.corbett@mail.doc.gov
URL: **http://www.uscommerce.org.mx**

U.S. Consulate General, Guadalajara
Ms. Virginia Krivis
Principal Commercial Officer
Progreso No. 175
44100 Guadalajara, Jalisco
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Fax: (011-52-3) 826-3576
Mail: P.O. Box No. 3088
Laredo, TX 78044-3088
E-mail:virginia.krivis@mail.doc.gov
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U.S. Consulate General, Tijuana
Mr. Renato Davia
Principal Commercial Officer
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22420 Tijuana, Baja California Norte
Tel: (011-52-6) 686-5960
Fax: (011-52-6) 686-5211
Mail: P.O. Box 439039
San Diego, Ca. 92143-9039
E-mail: renato.davia@mail.doc.gov
URL: **http://www.uscommerce.org.mx**

2) Mexican Government Agencies

Secretaria de Comercio y Fomento Industrial

(SECOFI)
(Secretariat of Commerce and Industrial Development)
Dr. Luis Fernando de la Calle
Under Secretary of Foreign Trade and Investment
Alfonso Reyes No. 30, floor 9
Col. Hipodromo-Condesa
06179 Mexico, D.F.
Tel: (011-52-5) 729-9101/ 9102
Fax: (011-52-5) 729-9307

Instituto Mexicano de la Propiedad Industrial (IMPI)
(Mexican Institute of Industrial Property and Technological Development)
Lic. Jorge Amigo Castañeda
General Director
Periferico Sur No. 3106
Col. Jardines del Pedregal
01900 Mexico, D.F.
Tel: (011-52-5) 624-0401/ 0402
Fax: (011-52-5) 624-0406
E-mail: jamigo@impi.gob.mx
URL: **http://www.impi.gob.mx**

Secretaria de Educacion Publica (SEP)
(Secretariat of Public Education)
Lic. Fernando Serrano Migallon
General Director of Copyrights
Mariano Escobedo No. 438, floor 7
Colonia Nueva Anzures
11590 Mexico, D.F.
Tel: (011-52-5) 230-7580 / 230-7500 x 18381
Fax: (011-52-5) 230-7572
E-mail: jsanchez@titan.sep.gob.mx

Secretaria de Comercio y Fomento Industrial (SECOFI)
(Secretariat of Commerce and Industrial Development)
Dr. Ignacio Navarro Zermeño
Mines General Coordinator
Puente de Tecamachalco # 26
Col. Lomas de Chapultepec
11000 Mexico, D.F.

Tel: (011-52-5) 202-7339 / 7345
Fax: (011-52-5) 202-0016

Secretaria de Energia (SE)
(Secretariat of Energy)
Dr. Jorge Chavez Presa
Under Secretary of Policy and Energy Development
Avenida Insurgentes No. 890, floor 15
Col. del Valle
03100 Mexico, D.F.
Tel: (011-52-5) 448-6070/ 6071/ 6072
Fax: (011-52-5) 448-6225
E-mail: spyde@energia.gob.mx

Secretaria de Medio Ambiente, Recursos Naturales y Pesca
(SEMARNAP)
Maestra en Ciencias Julia Carabias Lillo
(Secretariat of the Environment, Natural Resources, and Fisheries)
Lateral Anillo Periferico Sur No. 4209
floor 6
Col. Fracc. Jardines en la Montana
14210 Mexico, D.F.
Tel: (011-52-5)628-0602/ thru 0605
Fax: (011-52-5)628-0644 / 0643
E-mail: jcarabias@buzon.semarnap.gob.mx

Secretaria de Comunicaciones y Transportes (SCT)
(Secretariat of Communications and Transport)
Dr. Aaron Dychter Poltolarek
Under Secretary of Transportation
Bldg.C, floor 1 - Ala Oriente
Xola y Avenida Universidad
Col. Narvarte
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Fax: (011-52-5) 519-48-71
E-mail: adychter@sct.gob.mx
URL: **http://www.sct.gob.mx**

3) Trade Associations/Chambers of Commerce

American Chamber of Commerce - Mexico, A.C.
Mr. John Bruton

Executive Vice President
Lucerna No. 78
Col. Juarez
06600 Mexico, D.F.
Tel: (011-52-5) 724-3800
Fax: (011-52-5) 566-6274
E-mail: jbruton@amcham.com.mx
URL: **http://www.amcham.com.mx**
(There are also branches of Amcham located in Monterrey and Guadalajara).

Camara de Comercio Hispana de los Estados Unidos
United States Hispanic Chamber of Commerce
(CONCANACO-SERVYTUR)
Ing. Claudia Guerrero
Director of International Affairs
Balderas No. 144, floor 3
Col. Centro
06079 Mexico, D.F.
Tel: (011-52-5) 722-9306
Fax: (011-52-5) 722-9300
E-mail: abuin@mx1.uninet.net.mx

Camara Nacional de Comercio de la Ciudad de Mexico (CANACO)
(National Chamber of Commerce of Mexico City)
Lic. Roman Vidal Tamayo
Director of Trade Development
Av.Paseo de la Reforma No. 42 - floor 3
Col. Centro
06048 Mexico, D.F.
Tel: (011-52-5) 592-2677/2665
Fax: (011-52-5) 705-5310/7412
E-mail: desacom@ccmexico.com.mx

Confederacion de Camaras Nacionales de Comercio, Servicios y Turismo (CONCANACO- SERVITUR)
(Confederation of National Chambers of Commerce)
General Director
CP. Carlos Mier,
Balderas No. 144, floor 3
Col. Centro
06079 Mexico, D.F.
Tel: (011-52-5) 722-9307 DL – SWB 722-9300
Fax: (011-52-5) 722-9300

E-mail: concanac@uninet.net.mx

Camara Nacional de la Industria de la Transfomacion
(National Manufacturing Industry Chamber)
Lic. Luis Miguel Pando Leyva
General Director
Avenida San Antonio No. 256
Col. Ampliacion Napoles
03849 Mexico, D.F.
Tel: (011-52-5) 563-61-12
Fax: (011-52-5) 598-58-88
E-mail: lpando@dsi.com.mx

Confederacion de Camaras Industriales de
los Estados Unidos Mexicanos (CONCAMIN)
(Confederation of Industrial Chambers of Mexico)
Lic. Rene Espinoza
General Director
Manuel Ma. Contreras No. 133, floor 2 y 8
Col. Cuauhtémoc
06500 Mexico, D.F.
Tel: (011-52-5) 535-6589
Fax: (011-52-5) 535-6871
E-mail: respinos@concamin.org.mx

Asociacion Nacional de Importadores y
Exportadores de la Republica Mexicana, A.C.
(ANIERM)
Association of Importers and Exporters of Mexico
Lic Robert Sonnenberger
President
Monterrey No. 130
Col. Roma
06700 Mexico, D.F.
Tel: (011-52-5) 584-9522
Fax: (011-52-5) 584-5317
E-mail: anierm@interconnection.com

Asociacion de Instituciones Financieras
Morgan Guaranty Trust Company of New York
Torre Optima
Sr. Eduardo Cepeda
General Director
Paseo de las Palmas 405 - floor 16
Col. Lomas de Chapultepec

11000 Mexico, D.F.
Tel: (011-52-5) 540-9333
Fax: (011-52-5) 540-9548
E-mail: faz@george@jpmorgan.com

It should be noted that there are hundreds of specialized and regional associations and chambers in Mexico, which could not be included here.

4) Product and Quality System Certification Organizations

Asociacion Nacional de Normalizacion y
Certificacion del Sector Electrico,A.C.
(National Association for the Standards &
Certification of the Electrical Sector)
Av. Puente de Tecamachalco No. 6-Bis
Lomas de Tecamachalco
53950 Estado De Mexico, Mexico
Tel. (011-525)520-9026/8928/9158
Fax (011-525)520-8800
Ing. Martin Flores Ruiz
Director of Operations
E-mail: ance@mail.internet.com.mx
Standards area: electrical and gas

Normalizacion y Certificacion Electronica, A.C.
(Electronic Standards & Certification)
Av. Lomas de Sotelo No. 1097
11200 Mexico, D.F.
Tel. (011-525) 395-0810/0860/0893/0983/0993
Fax (011-525) 395-0700
Ing. Enrique Sanchez Aldunate
President
E-mail: nyce@nyce.org.mx
Standards area: electronics, and rubber(tires)

Calidad Mexicana Certificada
(Mexican Quality Certification)
Jose Vasconcelos No. 83
Col. San Miguel Chapultepec
11850 Mexico,D.F.
Tel. (011-525) 553-0571, 553-0645
Fax (011-525) 211-6702
Lic. Jaime Acosta Polanco
General Director

E-mail: calmecac@infoabc.com
Standards area: general and quality systems

Instituto Mexicano de Normalizacion y Certificacion, A.C. (Mexican Standards & Certification Institute)
Manuel Ma. Contreras No. 133 floor 1
Col. Cuauhtemoc
06470 Mexico, D.F.
Tel. (011-525) 535-5872; 566-4750
Fax (011-525) 705-3686
Dra. Mercedes Irueste Alejandre
General Director
E-mail: imnc@inetcorp.net.mx
Standards area: general and quality systems

Sociedad Mexicana de Normalizacion y Certificacion, S.C. (Mexican Standards & Certification Society)
Alfredo B. Nobel No. 21
Centro Industrial Puente de Vigas
Tlalnepantla, Edo. De Mexico C.P. 54070
Tel. (011-525) 390-4152 (12 Lines)
Fax (011-525) 565-7217
Dr. Jaime Gonzalez Basurto
General Director
E-mail: normex@mail.ironhorse.com.mx
URL: http://www.normex.com.mx
Standards area: foods, beverages, packaging, packages, and quality systems

Organismo Nacional de Normalizacion y Certificacion de la Construccion y Edificacion, S.C. (National Body for the Standardization and Certification of Constructions and Buildings)
Constitucion No. 50
Col. Escandon
11800 Mexico, D.F.
Tel. (011-525) 273-3399; 273-1991
Fax. (011-525) 273-3431
Arq. Franco Mauricio Bucio Mujica
Technical Director
E-mail: onncce@mext.clubinter.met
Standards area: construction

Societe General de Surveillance de Mexico, S.A. de

C.V., Division ICS International Certification Services (General Surviellance Society of Mexico)
Ingenieros Militares No. 85, Piso 5
Col. Argentina Poniente
11230 Mexico, D.F.
Tel. (011-525) 387-2100
Fax. (011-525) 576-9770; 358-6404
Ing. Alejandro Diaz Alvarado
Divisional Director
E-mail: sgs_mexico@sgsgroup.com
Standards area: general and quality systems

Direccion General de Normas
(General Directorate of Standards)
Av. Puente de Tecamachalco No. 6
Lomas de Tecamachalco
Naucalpan de Juarez,
53950 Estado De Mexico, Mexico
Tel. (011-525) 729-9475; 729-9476
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Lic. Carmen Quintanilla Madero
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E-mail: cqm@secofi.gob.mx
URL: http://www.secofi.gob.mx
Standards area: general and metrology

5) Mexican Commercial Banks

Banca Serfín, S.A.
Prol. Paseo de la Reforma No. 500
Col. Lomas de Santa Fé
01210 México, D.F.
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Fax: (011-52) 5257-8387
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Lic. Adolfo Lagos Espinoza
Director General

Bital S.A.
Av. Paseo de la Reforma No. 156 - 3er Piso
Col. Juárez
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(011-52) 5721-2222 SWB
Fax: (011-52) 5721-2993

C.P. Antonio del Valle Ruiz
President & General Director
E-mail: antodr@bital.com.mx
URL: **http://www.bital.com.mx**

Impulsora Bursátil, S.A. de C.V. (Inbursa)
Av. Paseo de las Palmas #736, Planta Baja
Col. Lomas de Chapultepec
11000 México D. F.
Tel: (011-52) 5202-1122
Fax: (011-52) 5259-2042
Lic. José Ponce
International Area Director
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Banco Mercantil del Norte, S.A.
Institución de Banca Múltiple Grupo Financiero (Banorte)
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URL: **http://www.gfnorte.com.mx**

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(011-52) 5629-3000 SWB
Fax: (011-52) 5629-3337
Mr. Juan Arenado Arsuaga
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Banco Nacional de México, S.A. (Banamex)
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Fax: (011-52) 5225-4039
C.P. Alfredo Harp Helu
Chairman of the Board of Grupo Financiero Banamex
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Bancomer, S.A.
Ave. Universidad No.1200, 2o. Piso
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03339 México, D.F.
Tel: (011-52) 5621-3301
(011-52) 5621-3434 SWB
Fax: (011-52) 5621-3988
Ing. Ricardo Guajardo Touche
General Director
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Bank of America Mexico
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General Director
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Mr. Julio A. de Quesada
General Director

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Multibanco Inverlat, S.A.
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(011-52) 5229-2000
Fax: (011-52) 5229-2157
E-mail: tgillen@inverlat.com.mx
Mr. William P. Sutton
President of the Executive Committee of the Financial Group
Peter Cardinal
General Director

Banco Bilbao Viscaya Probursa
Montes Urales 620, 3er Piso
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11000 Méxco, D. F.
Tel: (011-52) 5325-8000/06
Fax: (011-52) 5325-8054
E-mail: jmadariaga@bbvmex.com.mx
Lic. José Madariaga Lomelín
Chairman of the Board

6) Mexican Development Banks

Banco Nacional de Comercio Exterior (Bancomext)
Camino a Sta. Teresa No. 1679, Piso 12, Ala Sur
Col. Jardines del Pedregal
01900 México, D.F.
Tel: (011-52)5481-6012
(011-52)5449-9000 SWB
Fax: (011-52)5652-9408
E-mail: evilatel@bancomext.gov.mx
URL: **http://www.bancomext.gov.mx**
Actuario Enrique Vilatela Riba
General Director

Banco Nacional de Crédito Rural, SNC (Banrural)
Agrarismo No.227, Col. Escandón
11800 México, D.F.
Tel: (011-52)5273-1465, 5273-1945
(011-52)5723-1300 SWB; ext. 2022, 2004
Fax: (011-52)5271-5519/8132
E-mail: oterroba@banrural.gov.mx

URL: **http://www.banrural.gov.mx**
Lic. Oscar Terroba Garza
General Director

Banco Nacional de Obras y Servicios
Públicos, S.N.C. (Banobras)
Calle Tecoyotitla No.100
Col. Florida
01030 México, D.F.
Tel: (011-52)5723-6192
(011-52)5723-6205/6202
Fax: (011-52)5723-6108
E-mail: glimon@banobras.gov.mx
Lic. José Luis Flores Hernández
General Director

Banco Nacional del Ejército,
Fuerza Aérea y Armada, S.N.C. (Banjército)
Ave. Industria Militar No.1055
Col. Lomas de Sotelo
11200 México, D.F.
Tel: (011-52)5557-8661, 5395-2704
(011-52)557-9188 SWB
Fax: (011-52)5557-6249
Gral de Brigada Diplomado del Estado Mayor Abraham Campos López
General Director
E-mail: banercito@serve.com.mx

Nacional Financiera, SNC
Insurgentes Sur No.1971, Torre III y IV, 8o Piso
Col. Guadalupe Inn
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(011-52)5325-6000
Fax: (011-52)5325-7249
E-mail: rcasillas@nafin.gov.mx
URL: **http://www.nafin.gov.mx**
Lic. Roberto Casillas Contreras Medellín
International Director

7) Representative Offices of U.S. Banks in Mexico

American Express Bank,(México)S.A.
Av. Patriotismo No.635, 3er Piso

Col. Ciudad de los Deportes
03710 México, D.F.
Tel: (011-52)5326-2907/01
Fax: (011-52)5326-2908
Lic. Gustavo Ruiz Moya
Interim General Director

Bank of America Mexico, S.A.
Paseo de la Reforma No. 265, PH1
Col. Cuahtémoc
06500 México, D.F.
Tel: (011-52) 5230-6400, 5230-6300
Fax: (011-52) 5230-6389, 5230-6395
Mr. James McCabe
General Director

Bank One International Corporation
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06500 México D.F.
Tel: (011-52) 5546-7178
Fax: (011-52) 5566-2997
E-mail: carlos-galguera@mail.bank1.com
URL: **http://www.bank1.com**
Mr. Carlos Damaso Galguera
Representative

California Commerce Bank
Emilio Castelar No.75 - PH
Col. Chapultepec Polanco
11560 México, D.F.
Tel: 725-8760; 725-8611
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Ing. René M. Popovits
Vice-President and Representative

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Mr. Julio A. De Quezada
Representative

CoBank National Bank for Cooperatives
Insurgentes Sur No.1802, 2o. Piso
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01030 México, D.F.
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David A. Barraza
Representative

First Chicago Bank Mexico, S.A.
Institución de Banca Múltiple
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Gregory G. Tallas
General Director

Morgan Guaranty Trust Company of New York
Banco J.P. Morgan
Torre Optima
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Tel: (011-52)5540-9333, 5540-9502
Fax: (011-52)5540-9548
E-mail: cepeda_eduardo@jpmorgan.com
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Mr. Eduardo Cepeda
General Director

Republic National Bank of New York, Mexico, S.A.
Campos Elíseos No. 1 - A
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11580 México, D.F.
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Fax: (011-52) 5327-5114
Lic. Rubén Goldberg
General Director

The Chase Manhattan Bank, N.A.

Prolongación Paseo de la Reforma No.600, PB
Col. Santa Fe Peña Blanca
01210 México, D.F.
Tel: (011-52) 5257-9700
Fax: (011-52) 5257-9798/99
John Donnelly
Representative

The First National Bank of Boston
Bosque de Alisos No. 47-B- 3er Piso
Col. Bosques de las Lomas
05120 México, D.F.
Tel: (011-52) 5257-7900
Fax: (011-52) 5257-7979, 5257-7950
Jim Callahan
Representative

8) U.S. Agriculatural Cooperator Offices in Mexico

American Forest & Paper Association
Claudia Villagomez
Jaime Balmes 8-201
Col. Los Morales Polanco
11510 Mexico, D.F.
Tel: (011-525) 282-2111; 282-0993
Fax: (011-525) 282-0919

American Hardwood Export Council
Luis Zertuche, Director
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Fax: (011-525) 282-0919

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Fax. (011-525)616-4362

American Soybean Association
Hans Hoyer, Director

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Fax. (011-525) 281-6154; 281-0147

Cotton Incorporated
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Piso 9, Módulo C
Col. San José Insurgentes
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Tel. (011-525) 663-4020
Fax. (011-525) 663-4023

Engineered Wood Products
Philippe Mercado, Director
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National Renderers Association
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National Sunflower Association
Jose Luis Escamilla
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U.S. Dairy Export Council (USDEC)
Larry Solberg, Director
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Fax: (011-525) 752-4876

U.S. Grains Council
Dr. Ricardo Celma, Director
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Tel: (011-525) 282-0973/74/77; 282-0244
Fax. (011-525) 282-0968

U.S. Meat Export Federation
Gilberto Lozano, Director
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Fax: (011-525) 281-6013

U.S. Wheat Associates
Mitchell J. Skalicky, Director
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Col. Los Morales Polanco
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Tel: (011-525) 281-6560
Fax: (011-525) 281-3655

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11510 Mexico, D.F.
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Fax: (011-525) 282-0952

9) U.S. Government Country Contacts

U.S. Department of Commerce
International Trade Administration
Office of NAFTA
Ms. Juliet Bender, Director
14th Street & Constitution Avenue, N.W.
Room No. 3022
Washington, D.C. 20230
Tel: (202) 482-0507

Fax: (202) 482-5865
E-mail: juliet_bender@ita.doc.gov

U.S. Company Advisement/Advocacy at the IDB
Commerce Department Liaison Unit
Office of U.S. Executive Director L. Ronald Scheman
Inter-American Development Bank
1300 New York Avenue, N.W. Mail Stop E459
Washington, D.C. 20577
Tel: (202) 623-3822/3821
Fax: (202) 623-2039
Mr. Robert Mackentyre, Director
E-mail: bobm@iadb.org
URL: **http://www.iadb.org**

U.S. Customs NAFTA Help Desk in Dallas
Tel: (800) 829-1906, (972) 574-4061
Fax: (972)574-4074

Export-Import Bank of the United States
Mr. Michael P. Filchock
Loan Officer for Mexico
International Business Development
811 Vermont Avenue, N.W.
Washington, D.C. 20571
Tel: (202) 565-39-92
Fax: (202) 565-34-20
E-mail: MichaelFilchock@exim.gov
URL: **http://www.exim.gov**

U.S. Trade and Development Agency
Mr. Albert W. Angulo
Program Director
Latin American and the Caribbean
1621 N. Kent Street, Rm. 309
Rosslyn, VA 22209
Tel: (703) 875-4357
Fax: (703) 875-4009
E-mail: info@tda.gov
URL: **http://www.tda.gov**

U.S. Department of State
Bureau of Inter-American Affairs
Office of Mexican Affairs

Amb. Ilene Heaphy
Director
2201 C Streets, N.W., Rm. 4258
Washington, D.C. 20520
Tel: (202) 647-9894
Fax: (202) 647-5752
E-mail: heaphyem@state.gov
URL: http://www.utexas.edu

Office of the United States Trade Representative
Mr. John Melle
Senior Director for North American Affairs
600 17th. Street, N.W.
Washington, DC 20508
Tel: (202) 395-3412
Fax: (202) 395-9517

10) U.S.- Based Partners Relevant for Mexico

United States Chamber of Commerce
Mr. Stephen Jordan
Executive Director, Latin American Affairs
1615 H Street, N.W.
Washington, D.C. 20062-2000
Tel: (202) 463-5490
Fax: (202) 463-3126
E-mail: sjordan@uschamber.com
URL: **http://www.uschamber.com**

United States-Mexico Chamber of Commerce
Mr. Jeff Sparshott
Communications Director
1300 Pennsylvania Avenue N.W, Suite 270
Washington, D.C. 20004
Tel: (202) 371-8680
Fax: (202) 371-8686
E-mail: news-hq@usmcoc.org
URL: **http://www.usmcoc.org**

United States Hispanic Chamber of Commerce
Mr. George Herrera
Acting President
1019 19th Street N.W, Suite 200
Washington, D.C. 20036

Tel: (202) 842-1212
Fax: (202) 842-3221

Inter-American Development Bank
Public Information Center
1300 New York Avenue, N.W.
Washington, D.C. 20577
Tel: 202/623-2096
Fax: 202/623-1928

11) U.S. Association of State Offices in Mexico

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CHAPTER XII
MARKET RESEARCH AND TRADE EVENTS

MARKET RESEARCH

ISAs for FY1999 - Industry Sector Analyses by the Commercial Service, U.S. Embassy - Mexico

Automotive Parts
Dolls, Toys, and Games
Desk Top/Server Personal Computers
Laboratory and Scientific Instruments
Environmental Testing and Laboratory Services
Plastic Production Equipment
Electric Power Equipment
Electronics Industry in Guadalajara

Flow Meters and Associated Equipment
Medical Disposables
Vitamins, Supplements, Pharmaceuticals and Related Health Products
Commercial Fishing Equipment
Dental Equipment and Supplies
Machine Tools
Materials Handling Machinery
Multi-Modal Equipment and Services
Printing and graphic Arts Equipment and Supplies
Safety and Security Equipment: Personal, Home & Business
Satellite Fixed and Mobile Services
Aircraft and Parts
Chemicals: Cleaners and Detergents
Exercise, Gymnastic & Playground Equipment
Food Processing and Handling Equipment
Medical Instruments
Opportunities in Baja California for the Maquiladora Industry
Wireless Communications Equipment and Services
Financial Services
Textile Fabrics for Apparel
Vehicle Emission Control Technologies

ISAs Planned for FY2000

Airport and Ground Support Equipment
Pulp and Paper Machinery
Petroleum Exploration and Production Equipment
Wireless Equipment: Paging Systems
Private Health Care Groups in Mexico
Clinical Diagnostic Products
Security Equipment - Government
Agricultural Equipment
Information Appliances
Railroad Equipment - Signaling and Traffic Control
Automotive Accessories
Fabrics for Upholstery
Golf Equipment
Air Conditioning and Refrigeration Equipment
Consulting Services - Marketing
The Hazardous Waste Infrastructure Market
Encryption Services and Equipment
Home Care Products
Wireless Equipment - Personal Communications Services
Pumps, Valves, and Compressors
Water Treatment Chemicals

Food Packaging Equipment

<u>Selected IMI'S in FY1999</u> - Short reports on recent developments or limited topics

US Trade Center Mexico Calendar of Events
Public Relations Firms in Mexico
Plastic Production Equipment and Resins Market
Mexico's Business Websites
U.S. Trade Center, Mexico City - Facilities, Services, Terms and Conditions
List of Proposed and Recently Published Standards
Government Purchasing Website: Compranet
Textile Chamber of Western Mexico
Apparel, Fabric & Notion Sales: Opportunities in Zapotlanejo, Jalisco
The Southeastern Airport Tender
Kosa: The World's New Polyester King
Automatic Telephony System Tender for the Mexico City Subway
Mexican Working Visas
List of Proposed and Recently Published Standards
Cintra and ITP Formed A Joint Venture
Experimental Aircraft/ Ultra and Light
New Standards on Specifications For Animal Food And Animal Testing Methods
The New Mexico City Airport: A Continuing Saga
Strategic Partners Participating in the Southeastern Airport Tender
List of Proposed and Recently Published Standards
The Privatization of Aeromexico, Mexicana and Other Airlines
Change to the Southeastern Airports Tender
Labeling Machines
Simeprodeso Waste Management Project
Oaxaca Wastewater Treatment Plant Project
San Luis Potosi Waste Water Treatment Plants
Culiacan Wastewater Treatment Plants Project
Monterrey Wastewater Treatment Plant Project
Ciudad Juarez Air Quality Improvement Program
Protexa Hazardous Waste Management Project
Autlan Air Pollution Control Project
Natural Gas Vehicle Conversion Program In Mexico City
Mexico City Will Procure US$20 Million In Natural Gas Hybrid Engine-Powered Public Buses
USD 2.5 Million Expansion of Monterrey Sanitary Landfill

Airline Maintenance Center in Unused Airport Near Monterrey
Monterrey Wastewater Tertiary Treatment Plant
List of Proposed and Recently Published Standards
Redesign and Modernization of the Mexican Water Quality Laboratory Network.
Eximbank Chairman's Visit
Grupo Ferrominero Hydroelectric Power Project
Weather Observing Products
Wine
Opening Of Economic Proposals for the Southeastern Airport Tender
List of Recently Published Standards
Doll Accesories
Regulations to the Civil Aviation Law
Food Processing & Packaging Machinery and Supplies -- Opportunities in Guadalajara
Highlights of the Civil Aviation Law
Central Mexico Tenth Zone For Natural Gas Distribution Granted To Spanish Repsol; Other Developments on Natural Gas to Come in January 1999
Mexican Government's Low Cost Home Construction Program Spells Export Opportunity
Natural Gas Tender for the Laguna Area
Mexican Incorporation Checklist
Imports of Used Computer Equipment in Mexico
List of Recently Published Standards
Cleaning Products
Labeling Standards for Medical Devices
Distributing Sporting Goods: Fishing, Hunting and Camping Equipment
International Tender: Natural Gas Distribution in the Cities of Tijuana, Tecate and Ensenada - The Second Distribution Zone for Baja California
Ceramic Dinnerware
Sauces and Preparations
List of Proposed and Recently Published Standards
Tender: The Pacific Airports Group
PEMEX Refining Tender for Reconfiguration and Upgrading of 2 Refineries was Declared Void
Regulations to the Metrology Law.
Fraudulent Practices through E-Mail and Internet
New Standard Issued on Labeling for Toys and Trade Information
Wastewater Treatment Systems
Import Duties for Cosmetics
Trailers and Semi Trailers

Privatization of Four Short Railroad Lines
E-Commerce System
Recently Proposed and Published Standards
Monclova, Industrial City North of Monterrey
Material Testing Machines
Remote Control Apparatus
Mining Equipment
Report on Altos Hornos de Mexico (AHMSA)
Overview of Guadalajara and the State of Jalisco
Asian Impact on Mexican Apparel Industry

Market research reports prepared by the Commercial Section, U.S. Embassy - Mexico are available on the National Trade Data Bank (NTDB), or may be downloaded from www.stat-usa.gov. Individual copies may be ordered from the U.S. Trade Center, P.O. Box 3087, Laredo, TX 78044. Prices are $10 for IMIs and $25 for ISAs.

KEY 1999 AGRICULTURAL REPORTS

Sectoral Studies:

The Retail Food Sector in Mexico (1998)

Mexico's Food Processing Sector (1999)

Mexico's Hotel, Restaurant and Food Service Sector (1999)

Exporter's Guide (1999)

Mexico's Food and Agricultural Import Regulations and Standards (FAIRS) Report (1999)

Product Specific Studies:

Alcoholic Beverages (1999)

Apples and Pears (1999)

Bakery Products (1998)

Balanced Feed & Ingredients (1999)

Beef & Beef Products (1998)

Breeding Cattle & Animal Genetics (1999)

Candies & Confections (1998)

Christmas Trees (1999)

Dairy Products (1998)

Dried Fruit & Nuts (1999)

Food Ingredients (1999)

Fresh Vegetables (1999)

Fruit Juices & Concentrates (1999)

Health Foods (1999)

Hides & Skins (1999)

Peanuts & Peanut Butter (1999)

Pet Food (1998)

Pork & Pork Products (1999)

Poultry & Poultry Products (1999)

Processed Fruits & Vegetables (1998)

Seafood (1998)

Snack Foods (1999)

Stone Fruit (1998)

A complete list of agricultural market research pertaining to the Mexican market is available through the Internet: **www.atomexico.gob.mx**

COMMERCE TRADE EVENT SCHEDULE

All events are in Mexico City unless otherwise indicated.
For further information contact the U.S. Trade Center in Mexico

City at 011-525-140-2600.

Oct. 1-9	Study USA Exhibition of colleges/universities Mexico City, Guadalajara, Monterrey
Oct. 19-21	Refurbished Medical Equipment Show and Seminar
Nov. 10-12	High Tech Printing and Publishing Show and Seminar
Nov. 16-18	Disaster Relief & Emergency Preparedness Show and Seminar
Dec. 1-3	RepCom Mexico City '99 (Horizontal show for companies seeking representatives, agents, distributors, or franchisees.)
Feb. 8-11	ExpoComm - Telecommunications and wireless technology contact E.J. Krause, Tel: 011-5-25 523-2894
Mar. 7-9	RepCom Monterrey (see RepCom Mexico)
Mar. 7-9	Expo Manufactura contact E.J. Krause, Tel: 011-5-25 523-2894
Mar. 14-16	Ecologia Show and Seminar (Environmental goods & services)
Apr. 4-6	Law Enforcement, Security, and Corrections Show & Seminar
May 23-25	RepCom Guadalajara (see RepCom Mexico City above)
Sept. 26-28	Enviro-Pro (Environmental show) contact E.J. Krause, Tel: 011-5-25 523-2894

AGRICULTURE TRADE EVENT SCHEDULE

Show: CONFIOEXPO '99
Dates: August 24-27, 1999
Loc: Expo Guadalajara-Convention Center
Guadalajara, Mexico
Type: Candy, confectionary
Org: Grupo Gefecc
Tel: (011) 525-564-0329/564-0340
Fax: (011) 525-264-7029/264-7089

Show: EXPO ALIMENTOS '99
Dates: August 25-27, 1999
Loc: Cintermex Trade Center
Monterrey, Nuevo Leon, Mexico

Type: Food and beverages, equipment
Org: APEX
Tel: (011-528) 369-6660/369-6664
Fax: (011-528) 369-6911

Show: ABASTUR '99
Dates: October 6-8, 1999
Loc: World Trade Center
Mexico City, Mexico
Type: Hotel, restaurant and hospitality industry
Org: REMEX
Tel: (011) 525-237-9984
Fax: (011) 525-657-5926

Show: WORLD FOOD MEXICO '99
Dates: November 15-19, 1999
Loc: World Trade Center
Mexico City, Mexico
Type: Food and beverages, hotel and supermarket equipment
Org: Comtek International
Tel: (203) 834-1122
Fax: (203) 762-0773

Show: ANTAD 2000
Dates: March 17-20, 2000
Loc: Expo Guadalajara-Convention Center
Guadalajara, Mexico
Type: Retail and supermarket trade
Org: ANTAD
Tel: (011) 834-1122
Fax: (011) 762-0773

Show: FOOD SERVICE SHOW 2000
Dates: May 23-25, 2000
Loc: Cintermex Trade Center
Monterrey, Nuevo Leon, Mexico
Type: Food and beverages, equipment
Org: Food Service, S.A. de C.V.
Tel: (011-528) 350-6726
Fax: (011-528) 353-9683

Show: EXPHOTEL 2000

Dates: June 14-16, 2000
Loc: Convention Center
Cancun, Mexico
Type: Hotel, restaurant and tourism industry in Cancun and Caribbean
Org: Trade Show, S.A. de C.V.
Tel: (011-525) 398-6014
Fax: (011-525) 361-2729

Show: EXPO ABASTO 2000
Dates: July, 2000
Loc: Expo Guadalajara Centro de Convenciones
Guadalajara, Jalisco
Type: Fresh produce, fruits and vegetables, packing, equipment and services
Org: Conferación Nacional de Agrupaciones de
Comerciantes de Centrales de Abastos, A.C.
Tel: (011) 525-654-8538 / 650-0138 / 649-0068
Fax: (011) 525-650-0138

Show: ABASTUR 2000
Dates: October 4-6, 2000
Loc: World Trade Center
Mexico City, Mexico
Type: Hotel, restaurant and hospitality industry
Org: REMEX
Tel: (011) 525-237-9984
Fax: (011) 525-657-5926